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**CORRIGENDA.**

- In the Legislative Assembly Debates, November-December Session, 1933.—*
- (1) Vol. VIII, No. 2, dated the 21st November, 1933,—  
(i) page 1964, line 18, *for* "in going" *read* "is going".  
(ii) page 2012, line 1, *for* "(b)" *read* "(a)".
- (2) Vol. VIII, No. 5, dated the 27th November, 1933, page 2146, line 7, *for* "Is it" *read* "It is".
- (3) Vol. VIII, No. 6, dated the 28th November, 1933, page 2237, line 7, *for* "sent" *read* "send".
- (4) Vol. VIII, No. 7, dated the 29th November, 1933, page 2227, line 18, *for* "as it proposed" *read* "as is proposed".
- (5) Vol. VIII, No. 9, dated the 1st December, 1933,—  
(i) page 2429, line 1, *for* "there it is no" *read* "there is no".  
(ii) page 2446, line 14, *for* "intances" *read* "instances"  
(iii) page 2464,—  
(a) line 9, *for* "have" *read* "has".  
(b) line 10 from the bottom, after the word "that", *insert* "of".  
(iv) page 2472, line 17 from the bottom, *for* "all known" *read* "all know".
- (6) Vol. VIII, No. 10, dated the 2nd December, 1933, page 2529, line 21, *for* "carte blanche" *read* "carte blanche".
- (7) Vol. VIII, No. 13, dated the 7th December, 1933,—  
(i) page 2756, line 14 from the bottom, *for* "hostility" *read* "hostility".  
(ii) page 2782, line 6 from the bottom, *for* "civil" *read* "civis".
- (8) Vol. VIII, No. 14, dated the 8th December, 1933, page 2796, line 5 from the bottom, *for* "objet" *read* "object".
- (9) Vol. IX, No. 1, dated the 11th December, 1933,—  
(i) page 2937, line 12 from the bottom, delete "(a)".  
(ii) page 3012, line 14 from the bottom, *for* "conviced" *read* "convinced".
- (10) Vol. IX, No. 2, dated the 12th December, 1933,—  
(a) page 3042, against entry No. 1 in column 4, line 2, *for* "1933" *read* "1923".  
(b) page 3044, against entry No. 12, in column 4,—  
(i) line 6, *for* "9th May" *read* "19th May".  
(ii) line 9, *for* "cantinment" *read* "cantonment".
- (11) Vol. IX, No. 8, dated the 19th December, 1933, page 3479, line 25, *for* "any internal market" *read* "an internal market".
- (12) Vol. IX, No. 11, dated the 22nd December, 1933, page 3700, line 5 from the bottom, *for* "economies" *read* "economics".

**SLAD.**



THE  
LEGISLATIVE ASSEMBLY DEBATES  
(OFFICIAL REPORT)

Vol. VIII, 1933  
(20th November to 9th December, 1933)

SIXTH SESSION  
OF THE  
FOURTH LEGISLATIVE ASSEMBLY  
1933



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# Legislative Assembly.

*President :*

**THE HONOURABLE SIR SHANMUKHAM CHETTY, K.C.I.E.**

*Deputy President :*

**MR. ABDUL MATIN CHAUDHURY, M.L.A.**

*Panel of Chairmen :*

**MR. H. P. MODY, M.L.A.**

**MR. K. C. NEOGY, M.L.A.**

**SIR LESLIE HUDSON, K.T., M.L.A.**

**SIR ABDULLA-AL-MAMUN SUHRAWARDY, K.T., M.L.A.**

*Secretary :*

**MIAN MUHAMMAD RAFI, BAR.-AT-LAW.**

*Assistant of the Secretary :*

**RAI BAHADUR D. DUTT.**

*Marshal :*

**CAPTAIN HAJI SARDAR NUR AHMAD KHAN, M.C., I.O.M., I.A.**

*Committee on Public Petitions :*

**MR. ABDUL MATIN CHAUDHURY, M.L.A., Chairman.**

**SIR LESLIE HUDSON, K.T., M.L.A.**

**MR. B. SITARAMARAJU, M.L.A.**

**MR. GAYA PRASAD SINGH, M.L.A.**

**KUNWAR HAJEE ISMAIL ALI KHAN, O.B.E., M.L.A.**

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## LEGISLATIVE ASSEMBLY.

Monday, 20th November, 1933.

The Assembly met in the Assembly Chamber of the Council House in New Delhi, at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

### POINT OF ORDER RE VALIDITY OF THE MEETING OF THE LEGISLATIVE ASSEMBLY IN NEW DELHI.

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): Sir, I rise to raise a point of order. I maintain that this gathering is not a duly constituted meeting of the Legislative Assembly. It is an unlawful assembly (Laughter) and it is really the good grace of the Chief Commissioner that he has not applied section 144 upon us. (Laughter.) Sir, your original order to change the venue from Simla to New Delhi was not in accordance with Standing Order 3. In clause (1) of Standing Order 3, the Governor General is empowered to appoint the date and the place of the first meeting. The Secretary notifies it and you, Sir, can alter the date of the meeting, but you cannot alter the place of the meeting, because, in Standing Order 3, your powers are definitely restricted. It says:

"After the commencement of a Session, the Assembly shall sit on such days as the President, having regard to the state of business of the Assembly, may from time to time direct."

Therefore, your announcement that we should meet in Delhi was not in accordance with the Standing Orders of the Legislative Assembly. We are here an unlawful gathering and we are not bound to follow the Standing Orders of the Legislative Assembly or other Statutes, but we impose upon ourselves, of our own free will, the rules and Statutes which govern the proceedings of the Indian Legislative Assembly. Sir, this defect was attempted to be corrected by a notification of the Governor General which runs thus:

"Under sub-section (2) of section 63D of the Government of India Act, the Governor General is pleased to direct that the Session of the Legislative Assembly which commenced at Simla on Tuesday the 22nd August, 1933, shall continue to be held in New Delhi."

This notification purports to be issued under sub-section (2) of section 63D of the Government of India Act. But the notification is not in accordance with this section and that is the point which I should like to put before you. This sub-section clearly says:

"The Governor General may appoint such times and places for holding the Sessions of either Chamber of the Indian Legislature as he thinks fit, and may also, from time to time, by notification or otherwise, prorogue such Sessions."

[Dr. Ziauddin Ahmad.]

Therefore, his powers are limited to two things: (1) he can convene a Session of the Assembly at any place and at any time. Once he has convened it, he has exhausted his powers and has only one power left, and that is, he can prorogue the Session; and the power to change the venue, that is the place of the meeting, from one place to another is neither within the jurisdiction of the Governor General nor of the President. In this case the only thing is that if the place of the meeting has to be changed, it must be a fresh Session; it cannot be a continuation of the same Session. One Session of the Assembly can be continued to another time at the same place. There may be an interval of six months or one year, but the same Session cannot be taken to another place without a fresh notification by the Governor General under this clause and also a summons from the Secretary under this notification. In this case I maintain that the Governor General had no power to say simply that he is "pleased to direct that the Session of the Legislative Assembly which commenced at Simla on Tuesday, the 22nd August, shall continue to be held in New Delhi". If we read the original section, we find that it clearly says that "he shall appoint the time and place . . . . .

**Mr. Muhammad Yamin Khan** (Agra Division: Muhammadan Rural): Is it "place" or "places"?

**Dr. Ziauddin Ahmad:** It says that he "may appoint such times and places for holding the Sessions of either chamber of the Indian Legislature", etc. So the plural is used as it refers to both chambers. In this case when the notification was issued, the time ought to have been mentioned. To simply say that the whole thing is shifted from Simla to Delhi is not the intention of sub-section (2) of section 63D of the Government of India Act. Therefore, I maintain, Sir, that neither you nor the Governor General can change the place of the meeting when once it is convened to another place without a fresh notification and a fresh issue of summons by the Secretary. He or you cannot simply change the place and it cannot be called a continuation of the same Assembly. If a fresh notice is issued, it should always be considered a fresh Session and not a continuation of the old Session. That, Sir, is the point on which I want your decision, and I request you to declare that it is not a regularly constituted meeting of the Assembly.

**The Honourable Sir Brojendra Mitter** (Law Member): Sir, I am afraid the Honourable Member, Dr. Ziauddin Ahmad, has misread sub-section (2) of section 63D. That section empowers the Governor General to appoint the time and place for holding a Session of this House. Probably Dr. Ziauddin does not realise that when a power is given to any person under a Parliamentary Statute, that power can be exercised from time to time. It is not that once the power is exercised it is exhausted. I shall refer you to the Interpretation Act of 1889 which governs the Government of India Act. Section 32 says this:

"Where an Act passed, after the commencement of this Act, confers a power or imposes a duty, then, unless the contrary intention appears, the power may be exercised and the duty shall be performed from time to time as occasion requires."

Therefore, the power given to the Governor General under section 63D can be exercised by the Governor General once, twice, or as many times as occasion requires. Here he has chosen to exercise it twice: once he

fixed Simla as the place of meeting for the Session and the second time he has chosen to exercise his power by the notification which has just now been read out, that is, he has chosen to fix New Delhi. Therefore, there is no irregularity or illegality in the notification. The fallacy into which my Honourable friend has fallen is this. He seems to think that once the power is exercised it is exhausted, and the Governor General's hands are tied and that he can only call this meeting by prorogation and a fresh summons. But that is not so.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair agrees with the Honourable the Law Member in the interpretation that he has placed on sub-section (2) of section 63D of the Government of India Act which defines the power of the Governor General to fix the place of a Session of the Legislative Assembly. In addition to that the Chair would like to draw the attention of the House to another factor. In the notification which convened this Session of the Assembly at Simla the Governor General says that "he is pleased to direct that a Session of the Legislative Assembly shall commence at Simla on Tuesday, the 22nd August, 1931". The notification, therefore, fixing Simla as the venue for this session says that the session shall commence, and the subsequent notification says that it shall continue to be held at New Delhi; and, under these circumstances, this meeting of the Indian Legislative Assembly is duly constituted.

**Mr. M. Maswood Ahmad** (Patna and Chota Nagpur *cum* Orissa: Muhammadan): Am I to understand, Sir, that this meeting has been legalised by this notification?

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair has said that this meeting is duly constituted and is perfectly legal.

**Mr. S. C. Mitra** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Do the Government or the Chair accept the argument of Dr. Ziauddin Ahmad that the President has no inherent right to change the venue of the Session and that he can change the time only?

**Mr. President** (The Honourable Sir Shanmukham Chetty): It is not necessary to express any opinion on that point for the decision on the point of order raised by Dr. Ziauddin. But since the Honourable Member wants a ruling of the Chair on that point also, it can be said that reading section 63D (2), of the Government of India Act, it is plain that the President has no power to change the venue of a Session: it is only the Governor General who has got the right to do that.

Honourable Members desiring to take their seats will kindly come to the table to make the prescribed oath or affirmation of allegiance to the Crown.

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#### MEMBERS SWORN.

The Honourable Sir Brojendra Mitter, K.C.S.I (Law Member).

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): On a point of order, Sir. . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): Order, order.

**Mr. Lalchand Navalrai** (Sind: Non-Muhammadan Rural): I rise to a point of order, Sir.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Let the swearing in of Members be gone through.

**Mr. Lalchand Navalrai**: This is with regard to the swearing itself.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Order, order.

**Mr. Sitakanta Mahapatra**, M.L.A. (Orissa Division: Non-Muhammadan);

**Mr. Herbert Aubrey Francis Metcalfe**, C.I.E., M.V.O., M.L.A. (Foreign Secretary);

**Mr. Valsangiman Krishnaswami Ayangar** Aravamudha Ayangar, C.I.E., M.L.A. (Government of India: Nominated Official);

**Mr. William Dillon**, M.L.A. (Bombay: Nominated Official);

**Mr. Archibald Merven Macmillan**, C.I.E., M.L.A. (Bombay: Nominated Official);

**Mr. Arthur Jules Dash**, M.L.A. (Bengal: Nominated Official);

**Rai Bahadur Madan Mohan Sinha**, M.B.E., M.L.A. (United Provinces: Nominated Official); and

**Khan Bahadur Mian Abdul Aziz**, C.B.E., M.L.A. (Punjab: Nominated Official).

**Mr. President** (The Honourable Sir Shanmukham Chetty): What is the fresh point of order?

**Dr. Ziauddin Ahmad**: The point is that the Honourable the Leader of the House was neither a Member of the Legislative Assembly nor a Member of the Council of State at the time he delivered his speech. Was he, therefore, entitled to make a speech? If not, then his speech may be expunged from the proceedings of the Assembly.

**Mr. Lalchand Navalrai**: In support of that point of order, I will refer to rule 6—at page 4 of the Manual of Business—which says that every person who is elected or nominated to be a Member shall, before taking his seat, make at a meeting of the Assembly an oath or affirmation of his allegiance to the Crown in the prescribed form. I submit, therefore, that the Members who are entitled to speak in this House or to take any part must take the oath before they do anything else; and, in this case, the Honourable the Leader of the House, by what he has done, is *functus officio*.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair would invite the attention of Honourable Members to sub-section (4) of section 63F of the Government of India Act, the relevant portion of which runs as follows:

"Every Member of the Governor General's Executive Council shall have the right of attending in and addressing the other Chamber."

**Mr. Lalchand Navalrai:** I give up my objection.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair has had a consultation with the representatives of various parties, and it understands that it is the general desire to postpone questions for today. The questions will, therefore, be postponed. The Chair has received notices of motions for adjournment from the Honourable Members, Mr. B. Das and Mr. Amar Nath Dutt. The Chair would ask these Honourable gentlemen to make the motion tomorrow and the Chair will waive objection on the ground of urgency.

**Mr. B. Das** (Orissa Division: Non-Muhammadan): Thank you, Sir.

**Mr. Amar Nath Dutt** (Burdwan Division: Non-Muhammadan Rural): Thank you, Sir.

### THE RESERVE BANK OF INDIA BILL.

#### PRESENTATION OF THE REPORT OF THE JOINT COMMITTEE.

**The Honourable Sir George Schuster** (Finance Member): Sir, I beg to present the report of the Joint Committee on the Bill to constitute a Reserve Bank of India.

### THE IMPERIAL BANK OF INDIA (AMENDMENT) BILL.

#### PRESENTATION OF THE REPORT OF THE JOINT COMMITTEE.

**The Honourable Sir George Schuster** (Finance Member): Sir, I beg to present the Report of the Joint Committee on the Bill further to amend the Imperial Bank of India Act, 1920, for certain purposes.

### DEATH OF MR. VITHALBHAI PATEL.

**The Honourable Sir Brojendra Mitter** (Leader of the House): Sir, since last we met in Simla, there has occurred the death of the first elected President of this Chamber, and I desire, Sir, to pay on behalf of this House in general and of the Government Benches in particular my tribute to the talents of Mr. Vithalbhai Patel and to express our sorrow at his death. Before he came to this Assembly in January, 1924, Mr. Patel had already obtained a considerable amount of parliamentary experience as a member alike of the Bombay Legislative Council and the Imperial Legislative Council under the Morley-Minto Reforms. He had also obtained experience, which later proved to be of the highest value to him, as President of the Bombay Corporation. When Mr. Patel came to this Assembly in 1924, he came as a member of a Party which had avowed its intention of wrecking the Reforms, including this Chamber, from within. I venture to think that this policy had already been considerably modified before Mr. Patel was nominated

[Sir Brojendra Mitter.] as the candidate of the Swaraj Party in the first election to the office of President of this Chamber. I repeat that it was not in execution of the wrecking policy of the Swaraj Party that Mr. Patel stood as a candidate, and in proof, I cite his own statement of the 2nd September, 1926, delivered at the conclusion of his first term of office as President of this Chamber:

"As some of you are already aware",—

He said—

"one of the objects—I will not say the only object—which induced me to accept this office was to demonstrate to the British Government that public men in India, if they have been in some quarters described as irresponsible and destructive critics of the existing system of administration, are so because they have not been entrusted with responsibility."

At an earlier date, Mr. Patel had shown the same spirit when, as I am informed, he resisted the strong pressure put upon him to join in the spectacular walk-out of the 8th March, 1926. Of his capacity to guide and control the discussions of this House, Mr. Patel gave convincing proof from the beginning and thereby fulfilled his main purpose in standing for election as President. In office, Mr. Patel was not a wrecker but a stout upholder of the constitution and jealous custodian of the dignity and privileges of this Chamber.

This, Sir, is not the occasion on which to recall the unhappy differences of opinion between Mr. Patel and the Government of India. Speaking for Government, I say that we shall never give to the memory of Mr. Patel an unkind thought and we shall remember him only as the man who proved the capacity of Indians to preside over this Assembly.

Sir, with your leave, I should like to mention a personal incident which may interest the Members of this House. A few days before his death, my wife and I went to see Mr. Patel at his clinic near Geneva. It was manifest, and he fully realised it, that the end could not be far off. He wished to be remembered to Lord and Lady Willingdon; and, turning to my wife said: "Remember me to all". On my wife asking him if we could carry any message for any one in particular, he again said: "No, remember me to all". When we were coming away, he charged me to give you a message, a message of goodwill to all Parties in this House. Sir, we left the sick chamber with a heavy heart.

I conclude, Sir, by asking you, after giving opportunity to all sections of this House to express their feelings of admiration and regret, to adjourn the meeting of this House until tomorrow.

**Mr. Abdul Matin Chaudhury** (Assam: Muhammadan): Sir, on my own personal behalf, I desire to pay my tribute of respect to the memory of the late Mr. Patel. I, Sir, had the privilege of close association with Mr. Patel and apart from the fact that I consider his death as a great national calamity, I mourn his loss as a personal bereavement. Mr. Patel, Sir, had an eventful career, but his chief claim to the homage of posterity lies in his distinguished record as the President of this Assembly. Though, Sir, his brilliant career in the Chair had partially eclipsed his earlier achievement in the Bombay Legislative Council, in the Imperial Legislative Council and in the Legislative Assembly, I think it is pertinent to recall that Mr. Patel was one of the greatest parliamentarians of his day. He was a vigorous and a persistent critic of the Government.

He voiced India's aspirations with a courage and tenacity that extorted the highest admiration of his countrymen. As we all know, Sir, his knowledge of parliamentary practice and procedure was unrivalled, and his ingenious brain knew how to make them subserve the advancement of the national cause. As a President, he realised that the interpretation of the rules and standing orders gave an immense scope to the President for the development and protection of the constitutional rights of the citizen, and he never wavered in what he thought to be his duty to his country. In the early days of the Assembly, Sir, when traditions were growing, when new precedents were being created, the country could always rely upon Mr. Patel in exercising his power in the direction of liberalising the constitution. At a time when there was a great popular prejudice against Council entry, it was Mr. Patel's assertion and vindication of public rights from the Chair that helped to dispel that prejudice and enhanced the prestige of the Assembly in the eyes of the public. Those, Sir, who scoffed at the Assembly came to realise the potentialities of the popular Chamber. Mr. Patel, Sir, raised the status of the Assembly and status of the Chair in the estimation of the public. His outstanding merit, Sir, as a President was his sturdy independence. You will remember, Sir, how we all shared his rebukes, his frowns equally, yet, Sir, a more jealous custodian of the rights and privileges of this House you will not find in the annals of parliamentary history in India. He it was who was responsible for separating the Legislative Assembly Department from the trammels of the Legislative Department of the Government of India. And, Sir, as the administrative head of that Department, in his dealings with his subordinates, he was kind, sympathetic just and impartial, and evoked from the members of the Assembly staff a deep feeling of loyalty, devotion and attachment. Outside the Assembly, Sir, he was a staunch nationalist, a prominent Congressman and an ardent patriot. His last thoughts in his dying days in a foreign land were for the independence of his country, his own motherland which he loved so dearly, whose cause he fought so valiantly and to whose service he had dedicated his life. Sir, I would join with the Honourable the Leader of the House in asking you to adjourn the House out of respect to his memory.

**Diwan Bahadur A. Ramaswami Mudaliar** (Madras City: Non-Muhammadan Urban): On behalf of myself and the Party with which I am associated I should like to join in the sentiments of sorrow and admiration that have been given expression to by the Leader of the House and by my Honourable friend, the Deputy President. The death of Mr. V. J. Patel must naturally come home more closely to those who are on this side of the House than even to the Government Members. We, non-officials, have come to realise that in Mr. Patel as President of the Assembly we had a unique champion of popular cause and of popular rights. The career of Mr. Patel, particularly during the last 15 years, is an open book to his country, but throughout that career there is one fundamental dominating fact which must arrest the attention of any future historian who comes to write the political history of this country, and that is, that Mr. Patel was a valiant fighter throughout, one who did not know what it was to yield on any particular occasion and one who kept up with that firm grip and determination which he alone could have shown, the cause for which he had worked. Mr. V. J. Patel was, as you know, a brilliant President of the Bombay Corporation. He had made history in that capacity. He was a brilliant Member of this

[Diwan Bahadur A. Ramaswami Mudaliar.]

Assembly. But the best laurels that he won were in that Chair which he occupied as the first elected Indian President of the Parliament of India. Mr. Patel's dogged determination, his persistence, his indomitable courage and his patent nationalism stood him in good stead when he occupied that Chair as President of the Assembly. Time after time he has had to come to grips with various sections of this House, but there can be one thing truly said of Mr. Patel and his career as President, that at no time, in no connection and under no circumstances did he give in as a matter of expediency or policy against what he considered was his true judgment, what he considered was his duty according to his best lights. Opinions may vary about the contribution that Mr. Patel was able to make, but I venture to think that there can be only unanimity on this issue that as a great nationalist, as an independent fighter, he held his ground right through and that he did service for his country of a unique character.

Mr. Patel's sojourn in foreign parts has been referred to both by the Leader of the House and by my Honourable friend, the Deputy President. I can bear testimony to the fact that amidst conditions of the most morbid kind from a physical point of view, when he was quite certain that he had not a long span of life before him, when physical infirmity was invading him day after day, he still kept one ideal and one ideal alone whether it was in Berlin, or Vienna, or Geneva. Whatever audience he addressed, whatever people he spoke to, he spoke for the freedom and independence of his country. I remember one instance that was reported to me when I was at Geneva somewhat prior to the Law Member's visit to that place. There was an Indian National Congress held in that city. Mr. Patel was so sick, was so invalidated that his doctors firmly refused to allow him to attend the Congress. But Mr. Patel would not give in. He wanted to be carried on a stretcher and to be allowed to address the audience lying on that stretcher, and nothing but the determination of the audience itself to refuse to allow Mr. Patel to commit what was then considered as an act of suicide, did prevent him from making the address that he wanted to make. That would have been the final peroration for his country and for his countrymen that he would then have made.

It is a sad thought that we have had to mourn the death of so many Leaders during the last few years. They had worked for the liberation of their country. They had worked for giving India that status which was rightly hers in the comity of nations, a galaxy of stars of the first magnitude in the political firmament of India—Pandit Motilal Nehru, Lala Lajpat Rai, Sir Muhammad Shafi, Maulana Muhammad Ali, Mr. J. M. Sen-Gupta and now Mr. Patel. The tragedy of it all is that these people, who had devoted their whole life to the cause of India, had not even been able to see above the horizon some glimpse of that future which they had hoped for and which they had dreamt of, some hope that India will have that place for which they had consecrated their lives. It is a tragic thought. Mr. President, that man after man, the foremost men of our country should pass away and that time should elapse also before their ideas and ideals, their hopes and aspirations, could take any tangible form. There are many memorials which will be raised by a grateful nation to the memory of Mr. Patel. I am perfectly certain that the suggestion that I have seen developed elsewhere of a bust for Mr. Patel within the precincts

of this House will take shape in the near future. But whatever storied urge or animated bust may be raised for him, none can speak so eloquently of the greatness of Mr. Patel as President, none can speak so eloquently of his sturdy independence, of his nationalism, of his love for his country, and of his zeal, almost burning patriotism to see his country take its proper place in the comity of nations, as that Chair which will proclaim to succeeding generations of India's Parliamentarians and succeeding Speakers of India's Parliaments, the ideals that Mr. Patel stood for, the lofty independence that he exhibited, the tone that he gave to the discussions in this House, and the place that he earned for himself and succeeding Speakers, Mr. President, as the first Citizens of India, the elected Speakers of the Parliament of this country. Sir, I associate myself with the motion.

**Mr. C. S. Ranga Iyer** (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): Few people in this House have been, I believe, so intimately associated with the politics of Vithalbhai Patel as myself, and it is of the politician that I propose to speak today more than the President. As regards presidential rulings and controversies, I leave it to history to pronounce a verdict. But I believe I am competent to pronounce a verdict so far as Mr. Patel's politics were concerned. It was not always on the same side that I worked or voted in the meetings of the Congress Committee. There was a stormy occasion when Vithalbhai Patel brought a vote of censure against me. It was a stormy Committee of the Calcutta Congress: I had just returned from prison, so had the late Pandit Motilal Nehru and the late lamented C. R. Das. They were Pro-Changers, and of Mr. Patel's contribution in this connexion, I shall presently speak. I was at that time a No-Changer and my party had a majority in Committee and in Congress. Mr. Patel's awful indictment, and I believe more or less justified indictment from a party point of view—it was a violent, aggressive and remarkable indictment—his indictment inspired even some members on my side. He was not an eloquent speaker, but he was a great tiger of the Congress who mauled you and scratched you in Committee. After my answer, when he knew that he had exaggerated his case and that he had created a certain revulsion even on his own side though some of my adversaries on my side agreed with him,—before putting the motion to the vote, he withdrew it on the suggestion of the President who was the late C. R. Das, which incident proved that Mr. Patel was a good lieutenant, which also showed that he was capable of generosity, and which act, combined with the personal charms of C. R. Das, ultimately drew me to the side of the Pro-Changers.

Sir, today I refer to one of the greatest contributions that Mr. Patel made to the country, and that was as a member of the Civil Disobedience Enquiry Committee. Civil disobedience had been poisoned and paralysed as a movement by internal dissensions about ten years ago. The movement had ceased to move, but nobody had the courage to come forward and say: "You must now carry on the national fight in another direction". Mr. Patel suggested that there should be an enquiry into the possibility of reviving the Civil Disobedience Movement. The suggestion was accepted by the Congress. There was an enquiry and I am not revealing the secrets of my prison house when I say, as I was assisting the late Pandit Motilal Nehru in the writing of the Civil Disobedience Enquiry Committee's report, that the chapters relating to Council Entry were written by the late lamented Vithalbhai Patel. His death, therefore, on a more or less like occasion

[Mr. C. S. Ranga Iyer.]

when history is about to repeat itself has been a tragedy from every point of view. I believe Mr. Patel's heart was not in the Civil Disobedience Movement. At any rate I believe he realised even when he entered that movement its limitations, but the greatest sacrifice that a man can make is the sacrifice of one's own convictions in face of the collective wisdom of one's Party, the surrender of one's ego to the greater ego of the nation. He sacrificed his own opinions and convictions and entered that movement. Probably, had he persisted in the Chair and stuck to his own personal convictions, the history of India might have been all these crowded months and recent years differently written.

Mr. Patel was a tireless patriot. He might have been sometimes tiresome to his opponents, but he was a tireless patriot and, in the Presidential Chair, it is the patriot who dominated the President. Who cannot recall, who does not recall the fact that political opponents who refused to enter the Viceroy's House and who had boycotted Viceregal parties and dinners were willing to meet the Viceroy in Patel's house. The President's house became the rendezvous of opposing politicians, of "rebels" on the one side and the Viceroy on the other and had Patel stuck to the Chair, probably reconciliation would have been easier, instead of the differences being allowed to develop into a storm within and outside, but it will always be said that Patel loved his country with a passionate and profound love.

**Mr. K. C. Neogy** (Dacca Division: Non-Muhammadan Rural): We on this side of the House deem it our duty and privilege to associate ourselves wholeheartedly with the tribute of respect and admiration and affection that has been paid to the illustrious dead. Vithalbhai Patel is dead, but he will live in the pages of history in a manner in which very few of his contemporaries will live. He was a staunch patriot a selfless worker in the cause of his country, whose very last thoughts were with us and for us. Sir, the whole country is mourning the loss of such a noble son of India, but those of us who came into intimate touch with him in this House feel it as a personal loss; and as one, who has sat in the Assembly ever since its creation, permit me to say that he made the largest contribution to the dignity, the prestige and the independence of that exalted position that you occupy today. Sir, to us who worked under his presidentship, the memory of those days will continue to be a cherished possession and I join with my friends in making the suggestion that his memory should be perpetuated in a visible manner in the precincts of this House and I request you to take the lead and the initiative in that matter.

**Mr. Muhammad Yamin Khan** (Agra Division: Muhammadan Rural): I was a Member of the other House when Mr. Patel was elected the first President of this House and I well remember watching the proceedings of the election from the Council of State gallery on that memorable occasion. I know it was a momentous decision which was taken in putting up Mr. Patel as the candidate for the Presidentship and that changed the whole policy of the Congress which had come with a definite purpose at that time in this House. I need not go into the work which Mr. Patel did in this House, because that would be repeating what has already been said so ably by so many different speakers. It was unfortunate that when I was visiting Vienna, I could not see Mr. Patel. He was living

a long distance away from the town and I had very limited time at my disposal. Though we differed from Mr. Patel on many matters, that was on a point of principle and there was nothing behind that. With these few words, I associate myself and my Party with all that has been said by the Leader of the House and I fully support this motion.

**Sir Leslie Hudson** (Bombay : European) : Sir, on behalf of myself and of the European Group, I wish to associate myself with what has fallen from the speakers who have preceded me and with the universal expressions of regret which have been made not only in this House but outside this House at the passing of Mr. Vithalbhai Patel who for so many years and with ability occupied the Chair of this Honourable House. I was not, of course, a Member of this Honourable House at the time when Mr. Vithalbhai Patel was elected as the first Indian President of this Assembly, but I well remember that on being elected to the Chair he stated that he renounced all party feeling and all party interests and that he would conduct the business of this House with impartiality and justice, and, Sir, the records of this House show with what success he carried out those intentions.

Sir, Mr. Patel was gifted with great charm, with great affability and courtesy and he invariably treated the members of the European Group in this House with kindness and consideration. It was not an easy matter for him to follow in the Chair Sir Frederick Whyte, who was so gifted and so capable in Parliamentary affairs, but it was patent to the world that Mr. Patel was himself a Parliamentarian of no mean order and, although he encountered many difficulties, he stood up against them manfully and well. Once again I associate myself with what has fallen from the other Members of this House.

**Raja Bahadur G. Krishnamachariar** (Tanjore cum Trichinopoly : Non-Muhammadan Rural) : I have not had the pleasure and the honour of being associated with the late Mr. Patel either inside the House or outside, but I have heard a great deal about his doings both as a public man in India and as the first elected President of this Assembly and to a certain extent I was compelled to follow his proceedings both outside and here and, Sir, if I may be allowed to say so, I entirely associate myself and the Party, which I have the honour to represent, with the feelings of admiration and affection that have been showered upon his memory today by my Honourable friend, the Leader of the House, and my friends in the opposition.

Sir, I believe there is a Latin proverb which says, "do not speak ill of persons who are dead". I am not going to speak anything ill of him, but I had a great complaint against him and that is that he did not belong to the orthodox party, but to the reformed party. I tried my best to convert him when, as a member of the Orthodox Deputation, I waited on His Excellency Lord Goschen to protest against the Sarda Act, but I was defeated. At the same time, I can well remember and I gratefully remember his promise to give to those that represented the orthodox view the fullest opportunity to give expression to their views and in as strong a manner as possible. We were all satisfied so far as personal courtesy and consideration could be shown to a party which at that time was not quite popular in this House. However, Sir, there is no denying the fact that he was one of very few capable persons who, if he had lived, would have, as my friend, Mr. Ranga Iyer, said, made easier the question of reconciliation.

[**Reja Bahadur G. Krishnamachariar:**] Between all the warring elements in this country and brought it to a satisfactory conclusion. Sir, it was fated otherwise. Where we want one thing, God wills it otherwise, and his absence is sorely felt today. But there is no help for it and we all must bow to the decree of Providence. With these few words, Sir, I join in the request that his memory may be fitly perpetuated in this House by the manner that has been suggested.

**Mr. Amar Nath Dutt** (Burdwan Division : Non-Muhammanadan Rural): Sir, I rise to perform a sacred and solemn duty, a duty which we owe not only to the departed but which we owe to ourselves. My friend, Mr. Ranga Iyer, has said that there are very few in this House who can claim a more intimate association with the late Mr. Vithalbhai Javerbhai Patel, and probably he thought there might be at least some in this House who can claim as much intimate association with him, if not more, and I claim to be one of them. Sir, if I rise today to pay my tribute to the memory of the great departed, I do so not only as a Member of this Assembly, but as one who intimately knew him and knew his love for his country and countrymen.

Sir, much has been said about the policy of a certain Party as a member of which he had entered this Assembly. This is neither the occasion nor the place when I can fittingly reply to all that has been said about the Party and its policy, but, Sir, I cannot overlook one observation that the walk-out of the 18th March, 1924—it was not 1924, it was 1926—had not his approval. I can say, Sir, from my own personal knowledge that the walk-out of 1926 had his full support. I am not going to place before this House all the reasons—neither is this the time nor the place to do so—which prompted him to be in the House while other members of the Party to which he once belonged walked-out. Sir, this is neither the place nor the time to discuss the philosophy of walking-outs and walking-ins, but I feel it my duty to refer to this observation, because I believe that this was not quite correct.

Sir, the name of Mr. Vithalbhai Javerbhai Patel will live in the pages of history written in letters of gold for all times to come as a sturdy champion of the rights and privileges of Members of this House as also of the rights and privileges of his countrymen. Sir, he has been ever a sturdy fighter for the rights of his countrymen, and although he was not destined to enter the promised land, but he had a glimpse of it from distance, and it may be fittingly said of him that "Life's race well run, life's work well done, and now comes rest", though in a foreign land. Sir, with these few words, I associate myself with all that has been said about the great departed by previous speakers.

**Sir Abdulla-al-Mamun Suhrawardy** (Burdwan and Presidency Divisions : Muhammanadan Rural): Sir, during my membership of the Assembly it has been my misfortune to lament the loss of many a friend and colleague. During the Simla Session alone, I lamented, along with others, the loss of Nawab Sir Zulfiqar Ali Khan and Nawab Sarfaraz Husain Khan, deplored the tragic end of Mr. Burge, cut off in the prime of life, and that of Mr. B. N. Misra, and mourned the death of Mrs. Annie Besant. When the Session closed in gloom with the passing away of that great and high-souled Prophetess of Humanity and High Priestess of Universal Brotherhood, little did I dream that we would re-assemble

in Delhi under the shadow of the death of a President of the Assembly and the first day of the Session would be dedicated and devoted to paying tributes to his memory.

Mr. Patel was not only a President, but as the House knows, he was the first Indian and the first elected President of the Assembly. What it meant to be the first elected President can only be realised when we remember and recall to mind the narrow majority of votes by which he triumphed over his powerful opponent who was supported by Government. No doubt, like you, Sir, he subsequently enjoyed the triumph of unopposed election to the Chair when a newly elected House gave its verdict on his first term of office and vindicated his choice and the fitness of Indians to fill positions of the highest responsibility which, as remarked by the Honourable the Leader of the House, was his main object in seeking election to the Chair. The path is now easy and smooth for his successors. But it is the first step which costs and is always beset with difficulties.

It is a curious coincidence that the news of Mr. Patel's death reached India on the day the Select Committee of the Reserve Bank Bill met in Delhi for the first time and that he passed away before the passing of the Reserve Bank Bill. Assembled as we are in Special Session to consider the Reserve Bank Bill on the fortunes of which the late President exercised no small influence, the thoughts of many of us go back to the days when the first Reserve Bank Bill was debated in the House in 1927 or 1928. Many of us recall the tense excitement and anxious expectancy with which the results of divisions were awaited and the dramatic incident in which the scale was turned against Government by the unexpected vote of a Member who was apparently pledged to neutrality. But we all know that the voice was the voice of Jacob, though the hands were the hands of Esau. The walls of this House which had oft resounded and reverberated to the sound of the voice of the departed President bear witness to his inexhaustible resourcefulness and ingenuity and his brilliant intellectual feats and *tours de force*. Some of us chafed under his rulings and were restive, but all listened in tense and breathless silence. It would be idle on my part to attempt to pay my personal tribute to or dwell on the virtues of one to whom glowing tributes have been paid from one end of India to another. He was undoubtedly a remarkable personality of unquestioned ability and he has left his mark indelibly on the annals of the Assembly and on the course of events during the years of destiny. He veritably filled the Chair, and his presence dominated the House. He has left behind traditions of indomitable will and dauntless courage to serve as an inspiration and example to his successors in moments of difficulty and perplexity. Well it may be said of him as of the great Architect, "*Si Monumentum Requiris, Circumspice*—If you want a monument for him, Look around". Sir, I associate myself with what has fallen from the Honourable the Leader of the House and the speakers who have preceded me.

**Mr. B. V. Jadhav** (Bombay Central Division: Non-Muhammadan Rural):

12 NOON. Sir, as one of the representatives of the Presidency, whose distinguished son the late Vithalbhai Patel was, I feel it my duty to say a few words on this sad occasion. The qualities of head and heart of the lamented Mr. Vithalbhai Patel have been described in this House by others, and I need not take the time of the House over them

[Mr. B. V. Jadhav.]

again. He was a very ardent patriot and, anyone, who came in contact with him, even for a very short time, came to realise how deeply he felt for the advancement of his country. The grief with which his mortal remains were received in Bombay by the inhabitants of that place showed how deeply he had engraved himself on the hearts of the people. Thousands and thousands of people went to pay homage to his last remains and it was really a sight to those who were present on that occasion. But on behalf of Bombay I shall have to raise a protest, that the British Government kept up their reputation for being very unimaginative. They would stand by the letter of their rules and regulations and would not budge an inch. Heavens would have fallen perhaps if the coffin had been allowed to be opened when his funeral procession started and that was another reason perhaps why Government ordained that the coffin was not to be opened until it was actually in the Hindu cemetery. I would not speak anything more, but what I feel is that the Government and the British people are very unsympathetic. By showing a little courtesy, they would have endeared themselves to the people of Bombay, but by remaining stiff they have driven another nail, I shall say, which will rankle into the hearts of the people for many many years to come. With these words, I associate myself with what has fallen from the previous speakers and I also add my humble voice to the request that the memory of Mr. Vithalbhai Patel be perpetuated in this House.

**Mr. B. Das** (Orissa Division: Non-Muhammadan): Sir, towards the fag-end of my student career about 1910, I used to look upon Mr. Patel as the greatest social reformer. His Bill is still known as the Patel Bill. It went to the lesser lights of the Legislature and lesser men have won their laurels over the Bill for which Mr. Patel fought and worked so hard. In spite of the difference of opinion with my friend, Raja Bahadur Krishnamachari, Mr. Patel's name will go down in history as a great social reformer and one who brought social reforms within the pale of the Legislature where it was considered for the first time through his efforts.

Sir, I met Mr. Patel for the first time in 1918 at the special session of the Congress at Bombay, where he was the Chairman of the Reception Committee. I then used to see him in a Turkish cap, as my friends wear here, which was the emblem of Hindu-Muslim unity at the time and he had also then a flowing beard. Throughout his life Mr. Patel stuck to his motto, namely, that he was for sturdy nationalism and never for communalism. I came to be associated with him in the practical politics of the Congress in 1921 when I tried to help him to be elected as a member of the Working Committee of the Congress when the All-India Congress Committee session was held in Bombay. Without the 12 votes of Orissa Mr. Patel would not have been elected as a working member of the Congress Working Committee, and we know the consequences already referred to by my friend, Mr. Ranga Iyer, which led to the Civil Disobedience Inquiry Committee and the partial co-operation of the Congress with the Government on the floor of this House. I would also like to refer to the fact that during 1918 and 1919, Mr. Patel went to give evidence before the Joint Committee of Parliament in London, which illustrates that his mind was not destructive as has often been mentioned in certain sections of the Press and platform. His memory is hallowed today throughout the country. If I can picture the future, I will say that Mr. Patel will remain for ever the leader of the youth. He was a tenacious fighter and for tenacious

ighting no other Indian leader can come up to his mark. Even today we find that amongst the youth and amongst the womanhood of India little Patels are springing up, who are tenaciously sticking to their political principles and I have heard it mentioned "I am a little Patel and I will fight till the last". Sir, to me it is a matter of great personal regret that his brother, Sardar Vallabhbhai, another great leader, was not allowed to see the remains of his dear brother, Mr. Vithalbhai Patel, when the body was cremated at the Sonapur Burning Ghat in Bombay. God alone knows the fears and suspicions which were in the mind of the Government for not allowing Sardar Vallabhbhai Patel to see his brother, but we, who are friends of both—seldom, Sir, two brothers happen to be such great national leaders in any country—cannot visualise why he was not allowed even to see his remains. Sir, Mr. Patel is gone, but his noble memory shall ever remain cherished and enshrined in our hearts till we have also parted from this world. Sir, when you will send the tributes that this House is paying to Mr. Vithalbhai Patel's memory, Sardar Vallabhbhai Patel will at least know that there are some colleagues of his on the floor of this House who have felt for him deeply that he could not see the face of his beloved brother before the cremation. Sir, I associate myself with all that has fallen from this side and I conclude by saying that Mr. Patel's name will ever remain a hallowed memory throughout India.

**Mr. President** (The Honourable Sir Shannukham Chetty): It has been our melancholy duty from time to time to mourn the loss of our colleagues and of men and women distinguished in the public life of this country. Today one more has been added to the list of those for whom we mourn. Like many other Honourable Members in this House, the grief to me on this occasion is personal. For, I am one of those who have had the privilege of not merely enjoying Vithalbhai Patel's personal friendship, but of working in close association with him in the Swaraj Party. Many Honourable Members referred to the greatness of Vithalbhai Patel as a public man, as a patriot and as a President, but few, except those who have been intimately in touch with him, could realise what a great friend he was. Beneath his stern exterior there was in Vithalbhai Patel a sense of humour which made him an intensely human person, a great personal friend. Probably the world at large would not realise as much as his intimate friends this trait in the character of Vithalbhai Patel. In him we have lost one of the most remarkable personalities that walked the stage of India's public life. Honourable Members have paid glowing and fitting tributes to his memory as a great patriot and as a great public man. Great as he was as a patriot, great as his work has been as a servant of his motherland; his work will shine as a great President of the Indian Legislative Assembly. He had no misconceptions in his mind as to what was expected of him when he was elected to this high office. Reference has been made to the political creed of the Party to which he belonged and to which I belonged at that time. I can speak perhaps with some authority on the mental struggle through which Vithalbhai Patel had to pass before he accepted the Presidential Chair. He knew that his tenure of office was not merely a trial of his personal capacity, but that Indian publicmen were on their trial through him. There were those who cast doubts upon the capacity of Indians for constructive work, there were those who cast doubts upon the capacity of Indians to fill posts of responsibility and Patel realised to the fullest extent that in him as

[Mr. President.]

the first elected President of this Assembly India's public men were on their trial. I know from my intimate association with him during those five years that he was actuated by that great thought in everything that he did, both inside and outside this House. I have had the privilege of sitting down on those benches and watching from day to day the magnificent manner in which he conducted the proceedings of this House and today in my capacity as the occupant of that Chair when I have to refer almost every day to the rulings that he gave, I realise more than I realised in those days how well he maintained the independence and dignity of this Chair and of this House. I know that many of his rulings were hotly resented by certain sections of this House, but reading them in the calm light of reason, one would realise that in every one of his major rulings, Mr. Vithalbhai Patel strived his utmost to confine himself within the four corners of the constitution, the rules and the Standing Orders under which this House works. I know from personal experience that not on one single occasion was he actuated by any motive of partiality to the political Party to which he belonged and every one of those rulings could be justified on the strict interpretation of the rules and Standing Orders governing the procedure of this House. He fearlessly maintained the dignity of this Chair. In public life he was a great fighter, but few would realise that he had possessed in an ample measure that great quality which was necessary to enable one to be a successful fighter, he had in him an indomitable capacity for work. If he fought with courage, if he fought with confidence, he did so because he knew his own ground. It is very rarely that in the ranks of our public life would we come across one who was such a hard worker. From what I have observed of him, it was his capacity for hard work, it was his capacity for mastering the details of the subject which he was called upon to deal with that really gave him that confidence and that courage to fight and that is a quality which we might all emulate. It has been said that contemporaries are good witnesses, but bad judges. We cannot sit in judgment over Vithalbhai Patel, but we certainly are competent as his contemporaries to pay testimony to the qualities which he exhibited in every walk of life, and I feel confident that on the strength of that testimony the future historian, who would be the proper judge, would give Vithalbhai Patel an eminent place amongst the ranks of the great sons of India. It would be my duty to convey to the relatives of Vithalbhai Patel the deep sense of sorrow of this House at the loss sustained by his death. As a mark of respect to his memory I adjourn the proceedings of this House.

The House now stands adjourned till tomorrow morning eleven of the clock.

The Assembly then adjourned till Eleven of the Clock on Tuesday, the 21st November, 1938.

## LEGISLATIVE ASSEMBLY.

*Tuesday, 21st November, 1933.*

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair

### QUESTIONS AND ANSWERS.

#### ILLNESS OF MUZAFFAR AHMAD, A PRISONER OF THE MEERUT CONSPIRACY CASE.

**1056. \*Mr. S. G. Mitra:** (a) Is it a fact that Muzaffar Ahmad, a prisoner of the Meerut Conspiracy Case, is now imprisoned in a jail in the United Provinces?

(b) If so, will Government be pleased to state whether they propose to transfer him to Alipore jail?

(c) Are Government aware that Muzaffar Ahmad is suffering from chronic appendicitis as stated by the Civil Surgeon, Meerut?

**The Honourable Sir Harry Haig:** (a) and (b). Orders have been issued for the transfer of the prisoner to a jail in Bengal.

(c) I have no information.

**Mr. M. Maswood Ahmad:** Will Government be pleased to state in which jail he is now confined?

**The Honourable Sir Harry Haig:** No, Sir; I do not think I am concerned to give that information. This, after all, is the case of a prisoner who is confined in a provincial jail, and I consider that it is a provincial matter.

**Mr. M. Maswood Ahmad:** Are Government aware if any facilities were given to him for medical examination with regard to his appendicitis?

**The Honourable Sir Harry Haig:** No, Sir; I have no information on that point.

#### PAWINDAH TRADERS OF KHURASAN DOING BUSINESS IN BENGAL AND BIHAR AND ORISSA.

**1057. \*Bhai Parma Nand:** (a) Are Government aware that Pawindahs, inhabitants of Khurasan (Afghanistan), have been coming to India in large numbers *via* Dera Ismail Khan for over 60 years now for the purpose of trade?

(b) Are Government aware that leaving their homes almost empty-handed, they borrowed money from a number of Hindu firms and that, with that capital in their hands, their trade consisted of buying cloth in the cities and selling it to the simple villagers in Bengal, Bihar and Orissa on credit at very high prices and that they then toured round after a fixed period of three or six months, realised the price by the exercise of force and threats, returned with large sums of money, paid off their debts at Dera Ismail Khan and took their profits back to their homes?

(c) Are Government aware that having gained the confidence of the above firms they could borrow from them thousands of rupees and assume the position of rich merchants in their country?

(d) Are Government aware that for the last three or four years anti-Hindu agitation has gained ground in the North-West Frontier Province and that as a result these Pawindahs have been induced not to pay back their debts to the Hindus which, involving these firms in a loss of nearly 40 lakhs of rupees, has completely ruined them?

(e) Are Government further aware that the Afghan Consul, by delaying the issue of passports, has helped the escape of the Pawindahs and kept off these firms from suing them in the Courts at Kabul? Are Government aware that the withdrawal of section 8, Frontier Crimes Regulation, by Government has been another source of encouragement to them?

(f) Under the circumstances, will Government be pleased to say if they are prepared to help the ruined firms and communicate with the Government of Afghanistan to provide facilities for the realisation of their debts?

**Mr. H. A. F. Metcalfe:** (a) Yes.

(b) Government are aware that it has been customary for some Pawindahs to trade in cloth in various parts of India with capital borrowed from Hindu bankers in the North-West Frontier Province and that there have been some complaints of the manner in which the Pawindahs realise their dues from villagers.

(c) Yes.

(d) Government are not aware that the cause assigned by the Honourable Member has led to the result suggested, but it is true that the Pawindah trade has been seriously affected by a variety of causes, one of which is the economic depression, with the result that there has been a deterioration in the traditional relations between Pawindahs and their bankers in Dera Ismail Khan.

(e) No. On the contrary Government understand that it would not have been in the interests of the firms to institute suits in the courts at Kabul. Section 8 of the Frontier Crimes Regulation has not been suspended so far as disputes between Hindu bankers and Pawindahs are concerned.

(f) The firms can invoke the assistance of the civil courts of India in the ordinary way but Government will consider any request for assistance in realising their debts which the firms may make. They cannot, however, undertake to assist them in any particular way.

**Mr. M. Maswood Ahmad:** Are Government aware that these sellers have given cloths to the Hindu purchasers and that now they are not paying them the money which they ought to pay to these sellers?

**Mr. H. A. F. Metcalfe:** The Honourable Member's question is a little confused. Who is it that has sold and who is it that is to receive payment?

**Mr. M. Maswood Ahmad:** The Afghan Kabulis are the sellers and the Hindus in Bihar and Bengal are the purchasers.

**Mr. H. A. F. Metcalfe:** Surely it is for the purchasers to pay the sellers. What is the Honourable Member complaining about?

**Mr. M. Maswood Ahmad:** My complaint is that the purchasers are not paying the price for the cloth which they purchased on credit from these Kabulis; are Government prepared to help these Kabulis as well to realise their money from the Hindu purchasers?

**Mr. H. A. F. Metcalfe:** I have already stated that the Pawindahs can, if they wish, appeal to the Frontier Crimes Regulation so far as people with whom they deal in Dera Ismail Khan are concerned. So far as purchasers in Bengal and other provinces are concerned, they can apply to the ordinary courts if they wish to do so.

**Mr. M. Maswood Ahmad:** Is it a fact that Government are ready to help those who have advanced money to these Kabulis at the Frontier Province?

**Mr. H. A. F. Metcalfe:** The only assistance that Government can give is in permitting cases to be taken under section 8 of the Frontier Crimes Regulation if they consider it expedient to do so.

**Mr. M. Maswood Ahmad:** And if these Kabulis apply to Government are they prepared to help them as well?

**Mr. H. A. F. Metcalfe:** They are certainly prepared to help them by the use of section 8 if that also appears to be expedient.

**Mr. Lalchand Navalrai:** Has any attempt been made to use section 8 of the Regulation with regard to these transactions up to now?

**Mr. H. A. F. Metcalfe:** I am not aware, but there certainly used to be. When I was in Dera Ismail Khan as Deputy Commissioner, section 8 was frequently used and, I think, it must be still used.

**Mr. Lalchand Navalrai:** Has this question been fully investigated by the Foreign Department?

**Mr. H. A. F. Metcalfe:** A report had been called for from the Local Administration and the results of that report are contained in the reply which I have already given to the main question.

**Mr. Lalchand Navalrai:** Will that report be placed on the table?

**Mr. H. A. F. Metcalfe:** No, Sir.

**Mr. Lalchand Navalrai:** Why not?

**Mr. H. A. F. Metcalfe:** Because the substance of the report has already been communicated to the House.

**Bhai Parma Nand:** May I know if Government have received any representation from this Association of Dera Ismail Khan, and, if so, whether Government have taken any action on it?

**Mr. H. A. F. Metcalfe:** So far as I know, no representations have been received. If they were sent at all, they would have been sent presumably to the Local Government whom it primarily concerns.

#### PRECEDENCE GIVEN TO CERTAIN ARMY OFFICERS.

1058. \***Captain Sher Muhammad Khan Gakhar:** (a) How will precedence be given to the following officers:

- (i) officers holding commissions in the Indian Army Reserve of Officers;
- (ii) officers of the Auxiliary Force in India;
- (iii) officers of the Indian Territorial Force;
- (iv) officers of the Indian Land Forces;
- (v) officers granted honorary commissions in His Majesty's Forces?

(b) Are officers holding honorary ranks in the Army entitled to write substantive rank against their names on visiting cards and in official correspondence?

(c) If the answer to part (b) be in the negative, will Government be pleased to state if they are aware that most of these officers have dropped the word "honorary" and are using the substantive rank with their names?

(d) Are Government prepared to take any action to stop this breach of rules and regulations and of the Warrant of Precedence in India, by warning these officers, issuing a circular letter direct to them or through the civil authorities?

**Mr. G. R. F. Tottenham:** (a) The precedence amongst themselves of officers of categories (i), (ii), (iii), (iv) and (v) is governed by their rank and the date of their promotion to that rank, irrespective of the nature of their commissions.

(b) There are no rules on the subject so far as the army is concerned.

(c) and (d) Do not arise.

#### RULES FOR WITHHOLDING INCREMENTS IN THE POSTS AND TELEGRAPH DEPARTMENT.

1059. \***Pandit Satyendra Nath Sen:** (a) Will Government be pleased to state the rules under which increments of an official can be withheld in the Posts and Telegraphs Department?

(b) Will Government please state if arrears of withheld increments are paid to the staff, if the appellate authorities decide that there was no good ground for withholding the increment? If not, why not?

**The Honourable Sir Frank Noyce:** (a) It is difficult to state all the rules on the subject in reply to a question. The general rules are those in Fundamental Rules 24 and 25, in rule 49 of the Classification, Control and Appeal Rules, and in statutory rules 8 and 6 reproduced in the Director General's General Circular No. 25, dated the 29th August, 1932,

copies of which are in the Library of this House. There are also certain subsidiary and departmental rules under which increments of certain classes of Posts and Telegraphs employees can be withheld in certain eventualities.

(b) The matter would be one for the appellate authority to decide on the merits of individual cases and under the relevant rules.

**PROPOSAL FOR THE SEPARATION OF THE REVENUES AND ACCOUNTS OF THE POSTAL AND TELEGRAPH BRANCHES.**

1060. \*Pandit Satyendra Nath Sen: Is it a fact that a proposal for separating the revenues and accounts of the Postal and Telegraph branches of the Indian Posts and Telegraphs Department is under the consideration of Government?

The Honourable Sir Frank Noyce: As stated by Sir Thomas Ryan during the Budget debates in this House, on the 10th March, 1933, the question of the introduction of separate stamps for telegraph purpose has been under the consideration of Government. In view, however, of the fact that the existing method of computation of the receipts from the sale of postage stamps between postal and telegraph branches was found to be sufficiently accurate for all practical purposes, and as it appeared unquestionable that the expense and inconvenience that would be caused by the adoption of the measure would be incommensurate with the advantage gained, the proposal was dropped.

**DUTIES OF THE ENGINEERING BRANCH OF THE POSTS AND TELEGRAPHS DEPARTMENT.**

1061. \*Pandit Satyendra Nath Sen: Is it not a fact that the primary duty of the Engineering Branch of the Posts and Telegraphs Department is to build and maintain the lines and apparatus, etc., of Government?

The Honourable Sir Frank Noyce: The reply is in the affirmative.

**MANAGEMENT OF THE COMBINED POST OFFICES AND TELEPHONE OFFICES.**

1062. \*Pandit Satyendra Nath Sen: (a) Will Government please state whether the management of the combined post offices and telephone offices is proposed to be handed over to the Traffic Branch of the Department as distinct from the Engineering and the Postal Branches?

(b) Is it a fact that the Traffic Branch of the Posts and Telegraphs Department has been entrusted with the work of conducting the telegraph traffic of the country and that it has no control over the Engineering Branch and that the latter works independently without due consideration to the requirements of the traffic of the country?

(c) Have Government undertaken, or do they propose to undertake, any enquiry as to the prevalent practices in the continental countries? If so, what are they?

The Honourable Sir Frank Noyce: (a) No such proposal is under the consideration of Government.

(b) No. The Head of the Circle controls and co-ordinates the activities of both branches.

(c) The reply is in the negative.

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**ARTICLE ENTITLED "IS EFFICIENCY AT STAKE" IN THE TELEGRAPH REVIEW.**

1063. \***Pandit Satyendra Nath Sen:** Has the attention of Government been drawn to page 253 of the *Telegraph Review* of July, 1950, under the title "Is Efficiency at stake"?

**The Honourable Sir Frank Noyce:** Government have seen the article.

**RECRUITMENT OF INDIANS AS GENERAL SERVICE TELEGRAPHISTS.**

1064. \***Pandit Satyendra Nath Sen:** (a) With reference to my question No. 43 in the last Session of this House, will Government please state how many institutions Government were pledged to for the direct recruitment of Indians only to the General Service of the Telegraph Department?

(b) Is it a fact that Government are considering the various recommendations of the Inchcape Committee, Posts and Telegraphs Accounts Enquiry Committee and the Posts and Telegraphs Retrenchment Advisory Committee in respect of abolishing the General Service?

(c) If the answer to part (b) be in the affirmative, will Government please state whether the reply to my question No. 41 in the last Session of this House was taken into consideration?

(d) If the answer to part (c) be in the negative, will Government please state:

- (i) the reasons for rejecting the recommendations of the Committees;
- (ii) the proportion of the General Service to other service or services;
- (iii) the process of recruitment to the General Service, and
- (iv) whether the Station Service Telegraphists would be taken to the General Service, and, if so, to what extent?

**The Honourable Sir Frank Noyce:** (a) To none.

(b) Government are unable to trace any recommendation of the Inchcape Committee in respect of the abolition of the General Service. As regards the recommendations of the other two Committees Government considered them and have accepted, in principle, the introduction of a provincialised or circle service in place of the existing services.

(c) No. The Government decision just referred to had already been taken.

- (d) (i) Does not arise in view of the reply to part (b).
- (ii) 3·3·1.
- (iii) There has been no recruitment since 1929-30.
- (iv) The Honourable Member is referred to the reply to part (a) of his own unstarred question No. 42 in this House on the 25th February, 1950.

## PROTECTION TO THE SILK INDUSTRY IN INDIA.

**1065. \*Mr. S. C. Mitra:** (a) Is it a fact that the Co-operative Silk Union, Malda, and the official President of that Union applied for protection by the imposition of heavy import duty on foreign silk yarn and silk cloths?

(b) Is it a fact that they applied for the Government bounty to the silk industry in India?

(c) Is it a fact that the representatives of the silk industries of Murshidabad also requested for the above remedies from the Tariff Board to cope against foreign dumping?

(d) Is it a fact that the Tariff Board inspected the centres of the silk industry in Bengal and other places?

(e) If the answers to the preceding parts are in the affirmative, will Government be pleased to state whether the Tariff Board submitted its report on the subject to the Government of India, and what was the action taken by them on such report?

**The Honourable Sir Joseph Bhore:** (a) to (c). Government have no information in the matter. Presumably the Honourable Member is referring to representations made directly to the Tariff Board in the course of their last enquiry in regard to the grant of protection to the Sericultural Industry.

(d) Yes.

(e) The Board's Report has been received and is under consideration.

**Mr. S. C. Mitra:** When may the House expect to get the Board's report?

**The Honourable Sir Joseph Bhore:** I hope to be in a position during the next Session to place the conclusions of Government before the House.

**Mr. M. Maswood Ahmad:** Will Government be pleased to state whether one of the real causes of this dumping is the depreciation of the currency of the country which sends the goods?

**The Honourable Sir Joseph Bhore:** I am afraid I am quite unable to follow my Honourable friend.

**Mr. M. Maswood Ahmad:** Is it a fact that the real cause of dumping these goods in India is the depreciated currency of the country which sends these goods?

**The Honourable Sir Joseph Bhore:** I am afraid I must ask my Honourable friend to read the Tariff Board's report when it is published, and he will then no doubt find a statement of the causes as ascertained by the Board.

### EMPLOYMENT OF LADIES IN THE GOVERNMENT OF INDIA OFFICES.

**1066. \*Mr. S. C. Mitra:** (a) Is it a fact that the nine posts reserved for employment of ladies by the Public Service Commission at its next examination for clerical recruitment are meant for European and Anglo-Indian ladies? Are such posts reserved only in the Army Headquarters or in the Civil Secretariat and its attached offices as well? If so, will Government be pleased to state the reasons why these nine posts are reserved only for European and Anglo-Indian ladies?

(b) Will Government be pleased to state whether any proportion of these nine posts for ladies is reserved for Indian ladies? If so, what is the proportion of such posts reserved for Indian ladies?

(c) Will Government be pleased to state whether Indian ladies are also eligible for these reserved posts? If so, what steps have Government taken to circulate the news? If no steps have been taken for the wide circulation of this news, do Government propose to take steps for such advertisements? If not, why not?

(d) Are Government aware that by reserving such a large number of posts for European and Anglo-Indian ladies they are indirectly increasing the representation of the European and Anglo-Indian communities in the clerical services above the proportion to which they are otherwise entitled? If not, will they be pleased to state the percentage of posts that the Anglo-Indian and Europeans would get by such reservation of posts for ladies?

**Mr. G. R. F. Tottenham:** (a) No. The vacancies are open to Indian as well as European or Anglo-Indian ladies.

(b) No proportion of the posts has been reserved for any particular community.

(c) This fact should have been clear from the advertisement issued by the Public Service Commission, but if any further publicity is necessary I hope that the present question and answer will serve the purpose.

(d) Does not arise in view of the answers to parts (a) and (b).

### MARRIED LADIES EMPLOYED IN THE GOVERNMENT OF INDIA OFFICES.

**1067. \*Mr. S. C. Mitra:** (a) Is it a fact that Government have framed a rule that married ladies would not be entitled to employment as clerks or in any other Government employments?

(b) Will Government be pleased to state the number of married ladies employed in the Government of India Headquarters Departments and offices and also in each of the different Railways and in the Posts and Telegraphs Department as a whole?

**The Honourable Sir Harry Haig:** (a) The employment of married ladies has been prohibited only in the Army and Royal Air Force Headquarters offices and in certain branches of the Posts and Telegraphs Department.

(b) Information in regard to the number of married ladies employed in the Posts and Telegraphs Department and the Government of India Secretariat and Attached Offices at headquarters is being collected and will be laid on the table in due course. I regret that the collection of similar information in respect of the railway services would involve an expenditure of time and trouble that would not be justified.

**NON-CONFIRMATION OF CERTAIN CLERKS WORKING IN CERTAIN  
GOVERNMENT OF INDIA OFFICES.**

**1068. \*Rai Bahadur Sukhraj Roy:** (a) Will Government be pleased to state whether it is a fact that there are certain Routine Division clerks working in the Army Headquarters, Royal Air Force, Secretariat and Attached Offices, who qualified in the examination held by the Public Service Commission in February, 1931, and who have not so far been confirmed, although their period of probation has long since expired?

(b) Is it a fact that no indication whatsoever was given to the candidates at the time of holding the 1931 examination that the grades were liable to revision?

(c) Is it a fact that no such indication was given to most of these clerks even at the time of appointment?

(d) Is it a fact that more than half the number of accepted candidates have already been confirmed in the present scales of pay either because they joined before the date of the embargo or because they were already in Government service? If so, what steps do Government propose to take to prevent differential treatment being meted out to the unconfirmed clerks who passed the same examination?

(e) Is it a fact that in some cases appointments were not made strictly on merit and people, with higher positions, were offered jobs later than those with lower positions? If so, why?

**The Honourable Sir Harry Haig:** (a) to (d). The answer to clause (a) is in the affirmative. Pending completion of the review of the expenditure of the Government of India which was then proceeding, it was decided in July, 1931, that all appointments to posts, whether permanent or temporary, made on or after the 16th July, 1931, of persons not in Government service on the 15th July, 1931, were to be made in an officiating capacity. This decision was published in the Finance Department Resolution of the 9th July, 1931, of which a copy is available in the Library. Of the candidates who secured appointments on the results of the examination held by the Public Service Commission in February, 1931, those who were either in service previously or secured posts before the 16th July, 1931, have been confirmed on the old scales of pay. In regard to those who secured posts after the 15th July, 1931, the question whether they should be brought on the old or new rates of pay has now been settled. As they were not warned about the revision of the rates of pay at the time of the examination, it has been decided by the orders contained in the Revised Rates of Pay Rules that they are entitled to the old rates of pay. The embargo on confirmation has also been removed in the case of posts or services for which revised rates of pay have been published.

(e) Candidates were allotted to the various offices in strict order of merit, but were offered vacancies as the necessary information regarding the dates on which they were required to join became available.

**PROTECTION TO THE COTTON HOSIERY INDUSTRY.**

**1069. \*Mr. J. Ramsay Scott:** (a) With reference to the reply to parts (f) and (g) of my starred question No. 1413 of 23rd November, 1932, that the Tariff Board's own recommendation was "No justification has been established for the special treatment of the hosiery industry", have Government decided that the hosiery industry should be given no protection?

(b) In view of Government's reply that a single sentence is likely to be misleading, is it not the Tariff Board's recommendation that no justification has been established for the special treatment of the hosiery industry and that it should be treated in no way differently from piece goods?

(c) If the reply to part (a) be in the affirmative, have they asked the President of the Tariff Board as to the exact intentions of the Tariff Board? If not, why not, and do they propose to do so now?

**The Honourable Sir Joseph Bhore:** (a) No, Sir.

(b) What the Tariff Board said in their Report of January, 1927, was that no justification had been established for the special treatment of the hosiery industry and that they were unable to recommend that hosiery should be treated in any way differently from piece-goods.

(c) Does not arise.

#### PROTECTION TO THE COTTON HOSIERY INDUSTRY.

1070. \***Mr. J. Ramsay Scott:** (a) With reference to the reply to parts (h) and (i) of my question No. 1413 of 23rd November, 1932, that "the Government of India have received representations that the hosiery industry was suffering from intensive competition due to depreciated currencies and that it was understood that representations had been made to the Tariff Board. These representations have presumably received attention and the recommendations of the Board will receive the consideration of the Government of India", will Government be pleased to state whether the representations of the hosiery industry have received the attention of the Tariff Board?

(b) Have the Tariff Board made a recommendation to the Government of India?

(c) When was the recommendation received by Government?

(d) Have the recommendations of the Tariff Board received the consideration of Government?

(e) Will Government please state when their consideration will be completed and when orders will be issued?

(f) Is it a fact that the Tariff Board have recommended that hosiery should be protected to the same degree as cotton piece goods or in a degree more than it is at present? If so, did Government bear this in mind during the Indo-Japanese negotiations?

**The Honourable Sir Joseph Bhore:** (a), (b), (c), (d) and (f). The Government of India are not prepared to disclose the contents of the Tariff Board's Report before its publication.

(e) The proposals of the Government of India on the Tariff Board's Report will be placed before the Legislature in time to permit of a final decision before the expiry of the existing period of protection.

#### DEPUTATION OF HOSIERY MANUFACTURERS TO GOVERNMENT.

1071. \***Mr. J. Ramsay Scott:** Did Government receive a deputation from the hosiery manufacturers of India during the last session in Delhi?

**The Honourable Sir Joseph Bhore:** Yes, Sir.

**HOSIERY INDUSTRY OF INDIA.**

**1072. Mr. J. Ramsay Scott:** (a) Are Government in a position to give the number of men employed in the hosiery industry (i) in mills, (ii) in the industry?

(b) Can Government give any figure of the amount of (i) Indian cotton yarn, and (ii) Indian cotton consumed by the hosiery industry?

(c) Can Government state the relation the output of the whole industry bears to imports?

(d) Will Government please give the figures for imports of cotton hosiery for the last year, giving figures up to the end of July or August, if possible (i) from all countries, and (ii) from Japan?

**The Honourable Sir Joseph Bhore:** (a) The average number of persons employed daily in hosiery factories in British India which come under the operation of Indian Factories Act was 2,442, 2,573 and 3,169 in 1930, 1931 and 1932, respectively. No further information is available.

(b) The information is not available.

(c) The production of cotton hosiery in Indian mills, as given in the monthly statistics of cotton spinning and weaving, is as follows:

	Doz.
1930-31 . . . . .	499,683
1931-32 . . . . .	622,659
1932-33 . . . . .	746,341

On the average the production is about 23 per cent. of the total imports.

(d) I lay on the table a statement giving the required information.

*Statement showing imports of cotton hosiery during 1932-33 and in the five months April to August, 1933.*

(i) Socks and Stockings.

	From all countries.		From Japan.	
	Quantity.	Value.	Quantity.	Value.
	Doz. pairs.	Rs.	Doz. pairs.	Rs.
1932-33 . . . . .	1,070,906	12,03,473	807,235	8,18,174
Five months April to August, 1933 . . . . .	370,682	3,94,510	339,991	3,28,795

(ii) Underwear.

	Doz.	Rs.	Doz.	Rs.
1932-33 . . . . .	2,626,262	52,81,663	2,589,698	51,28,120
Five months April to August, 1933 . . . . .	1,364,219	26,80,171	1,350,604	26,12,107

(iii) Other sorts.

	Rs.	Rs.
1932-33 . . . . .	2,55,829	..
Five months April to August, 1933 . . . . .	3,70,355	..
	1,76,399	
	3,07,958	

### ACQUISITION OF THE MAHA-BODHI SITE AT BUDDHA-GAYA.

**1073. \*U Ba Maung:** (a) Will Government be pleased to state if it is a fact that the tomb of Asaf Khan, brother of Noor Jehan and brother-in-law of Emperor Jehangir, and the surrounding land in Shahdra, a suburb of Lahore, were acquired by the Punjab Government?

(b) If so, will Government be pleased to state (i) the reasons which led the Punjab Government to acquire the tomb and the surrounding land, (ii) the public purposes for which they were acquired, and (iii) who bore the cost of the acquisition?

(c) Are Government aware that the Maha-bodhi site at Buddha-Gaya, where Buddha, "the Light of Asia", attained supreme enlightenment, possesses not only historical but also antiquarian and archaeological interest and is revered by millions of Buddhists all over the world? If so, have Government considered whether this site could be similarly acquired by Government from the Mahant in charge and thrown open to them as Jerusalem is open to all Christians? If not, why not?

**Mr. G. S. Bajpai:** (a) and (b). The tomb was Government property and was declared a protected monument in 1911. The compound and the wall surrounding it were acquired from a private owner with a view to effecting necessary improvements to the monument as a whole and the cost of acquisition was borne by the Archaeological Department.

(c) The Maha-bodhi temple at Bodh-Gaya is used for daily worship. Its acquisition, therefore, is barred by section 10 (2) (a) of the Ancient Monuments Preservation Act, 1904.

**Mr. Lalchand Navalrai:** May I know from the Honourable Member if this Mahant really puts some obstacles in the way of worship?

**Mr. G. S. Bajpai:** Not so far as I am aware, Sir.

### CONVERSION OF THE POST OF ACCOUNTANT, POONA HEAD POST OFFICE, INTO A TIME-SCALE APPOINTMENT.

**1074. \*Sardar G. N. Mujumdar:** (a) Is it a fact that the post of the accountant, Poona Head Post Office, has been converted into a time-scale appointment from that of a selection grade appointment, as a retrenchment measure, on the grounds that the number of clerks working in the accounts branch of the Poona Head Office does not justify a selection grade appointment?

(b) Is it also a fact that the appointment of the accountant, Poona Head Post Office, was raised to a selection grade one on the recommendations of Rai Bahadur Ganguli, who was placed on special duty, for improvement in the Post Office work, on administrative grounds, irrespective of the number of clerks working in the Accounts Branch?

(c) If the answers to parts (a) and (b) be in the affirmative, is it the intention of Government to restore the appointment of the selection grade? Is it a fact that since then a few more duties have been delegated to the accountant and that in other first class Head Offices in 700-25-800 grade (as the Poona Head Post Office is) the post of the accountant is in the selection grade?

**The Honourable Sir Frank Noyce:** (a) No. The reduction in the pay of the post in question was not made as a measure of retrenchment but in accordance with the standards laid down in the Bewoor Time Tests, 1930, and in the Director General's general orders issued in January, 1932.

(b) Yes, in 1928 when there were no standards for regulating the staff in the accounts branch of a head post office or the pay of the Accountant.

(c) The reply to the first part is in the negative. As regards the second part, Government have no information regarding the precise duties assigned to the Accountant in the Poona head post office, as this is a matter which is within the competence of the Head of the Postal Circle concerned. Of the head post offices at Delhi, Lahore, Poona and Karachi which are in charge of Postmasters on Rs. 700—800, only Karachi has now a selection grade post of Accountant, as it is justified by the standards referred to in the reply to part (a) above.

#### COUNTING OF SERVICES ON PROBATION OF POSTAL CLERKS FOR INCREMENTS.

1075. \***Sardar G. N. Mujumdar:** (a) Is it a fact that Fundamental Rule 26 permits all duty in a post on time-scale to count for increment in that time-scale?

(b) Is it a fact that under Fundamental Rule 6-A (1) service as a probationer is duty, provided that such service is followed by confirmation?

(c) Is it a fact that Government have issued orders on the 12th September, 1932, that on confirmation Post Office clerks will be allowed to count for increment their service on probation not exceeding 12 months prior to the date of their passing the departmental examination and that these orders will apply to all existing and future probationary clerks?

(d) Is it a fact that these orders have been made applicable to all existing clerks on probation on the 12th September, 1932, in spite of the fact that they were recruited under condition of services laid down in Fundamental Rules 26 and 6-A (1), which allow all service in a time-scale to count for increment in the same time-scale?

(e) If the answer to part (b) be in the affirmative, will Government be pleased to state the general principles which justify changes in the conditions of service of Government servants after their first appointment in the Department?

(f) Is it a fact that the general principles apply alike to all Government servants, gazetted and non-gazetted, Imperial services, etc.? If not, why not?

(g) Do Government recognize the well established principles that changes affecting conditions of services regarding pay, leave and pensions of Government servants apply only to new entrants and to existing servants only on their option? If so, will they be pleased to state the reasons why this principle has not been observed in the case of post office clerks on probation?

**The Honourable Sir Frank Noyce:** (a) and (b). The general position under Fundamental Rule 26 and Fundamental Rule 9 (6) (a) (i), not Fundamental Rule 6-A (1) as quoted by the Honourable Member, is as stated in the question. There are however also certain subsidiary rules peculiar to the Posts and Telegraphs Department.

(c) Yes.

(d) The reply to the first part is in the affirmative. As regards the second part, the fact is not as presumed by the Honourable Member. All the clerks in the Post Office who were on probation on the 12th September, 1932, had been recruited on the distinct condition that if they failed to pass the confirmation examination, the period of their probationary service between the date of failure at the examination and the date of passing it subsequently would not count for increment. I may, however, state, that various matters relating to the orders of the 12th September, 1932, referred to in part (c) are at present under examination.

(e), (f) and (g). Do not arise in view of the reply given to part (d).

#### WITHHOLDING OF INCREMENTS BY THE ACCOUNTANT-GENERAL, POSTS AND TELEGRAPHS, OF RESERVE CLERKS IN THE BOMBAY POSTAL CIRCLE.

1076. \*Sardar G. N. Mujumdar: (a) Is it a fact that the Accountant-General, Posts and Telegraphs has withheld increments in the Bombay Circle of reserve clerks failing in the confirmation examination for the first time and passing in a subsequent examination? Is it a fact that some of them have completed three years service by this time and were confirmed in the Department a year before?

(b) Is it a fact that the question is under consideration of the Government of India since March, 1931? 70508

(c) If the answers to parts (a) and (b) be in the affirmative, will Government kindly state what will be the probable period required for issuing their final orders, as it is by this time more than two years that they are considering the matter?

The Honourable Sir Frank Noyce: (a) and (b). The facts are substantially as stated by the Honourable Member. In this connection his attention is invited to the reply to Mr. Uppi Saheb Bahadur's starred question No. 725 in this House on the 13th March, 1938.

(c) Government expect that a decision will be reached before long.

#### CONSTRUCTION OF THE WILLINGDON BRIDGE AT BALLI. EAST INDIAN RAILWAY.

1077. \*Mr. S. C. Mitra: (a) Will Government be pleased to state the actual cost of construction of the Willingdon Bridge at Balli, East Indian Railway?

(b) Will Government be pleased to state the reasons for which this bridge was constructed at such a heavy cost?

(c) Is it a fact that the bridge was constructed to divert important mail and goods trains of the East Indian Railway to Sealdah? If so, how many of such trains do now pass over this bridge?

(d) Is it a fact that one end of the bridge has already begun to sink? If so, has the passing of trains over the bridge been stopped for this reason?

(e) Will Government be pleased to state whether the sinking is due to defective construction? If not, what are the reasons?

(f) Will Government please state whether the Engineer in charge of this construction has been asked to explain the reason for such sinking? If not, why not?

(g) Will Government please state the date of the beginning and completion of the said bridge?

**Mr. P. R. Rau:** (a) The total cost of the construction of the Calcutta Chord Railway, of which the Willingdon Bridge forms a part, is estimated to be Rs. 354.59 lakhs, of which the Government of Bengal are contributing Rs. 34.62 lakhs towards the cost of the roadways and footpaths.

(b) and (c). The main objects of the new chord connection, which involved the construction of the bridge, were as follows: Firstly, to avoid having to construct works, such as the quadrupling of the Ondal-Khana section and the Howrah Burdwan Chord, and the strengthening of the Jubilee Bridge at Naihati, which would to a large extent be thrown out of use by the construction of the Chord line and bridge, if carried out at a later date. Secondly, to have an alternative means of communication for East Indian Railway stations with the docks and Calcutta instead of being entirely dependent on a single line of communication over the Jubilee Bridge at Naihati. Thirdly, to speed up the coal traffic to the docks, as strongly recommended by the Coal Committee.

The average number of goods trains which ran daily over the bridge during the three months prior to the closing of the Calcutta chord route during the last monsoon was 7 Up and 6 Down trains, making a daily total of 13.

(d), (e) and (f). No part of the bridge itself has begun to sink, but there have been, from time to time sinking of the track and slips in the embankment on the approaches to the bridge, which have been caused by heavy and continuous rainfall on the earth banks, due to the fact that they have not yet had time to consolidate properly. As such defects develop in similar circumstances even on railways that have long been in existence, it is not surprising that there has been such trouble in the case of the Calcutta Chord Railway, especially as the approach banks are of considerable height and the local earth, of which they are made, is not of very good quality. Consequently it has not been considered necessary to get an explanation from the Engineer in charge of construction.

(g) The project was sanctioned in September, 1925, and the construction of the bridge was started about the middle of 1927. The new chord line was opened to goods trains on the 1st February, 1932.

**Dr. Ziauddin Ahmad:** Did not the Government realise from their experience before that the ground near about Calcutta was not very safe? Why did they attempt to spend such a big sum of Rs. 354 lakhs without making sufficient inquiries beforehand when they had sufficient previous experience?

**Mr. P. R. Rau:** I have given the reasons for the construction in my reply to the main question.

**Mr. S. C. Mitra:** I could not follow the Honourable Member in his answer: he was going very hurriedly. Do I take it that there is no passenger train or express train or mail train running over the bridge? Is it a fact or is it being used only for goods trains? If so, why?

**Mr. P. R. Rau:** I think the fact is that when the construction was sanctioned, it was expected that a larger number of trains would have to

be run over the bridge: but, on account of the fall in general traffic, there has not been any necessity to run such a large number of trains over the bridge.

**Mr. S. C. Mitra:** It seems that the Honourable Member is not certain, because he says "he thinks"; but may the House know for certain why, on this bridge, costing nearly three crores and odd, the original plan of running some express and mail trains has not been adhered to?

**Mr. P. R. Rau:** Because it is not necessary. The traffic does not necessitate the running of a large number of trains over this particular chord: the main line is mostly sufficient for this purpose.

**Mr. S. C. Mitra:** May we take it from the Honourable Member that it is not due to any defect in the bridge itself that express and mail trains are not now running over it, because he may have to accept subsequently that it is due to the same reason I have given. I desire a categorical answer.

**Mr. P. R. Rau:** My information is that the small number of trains that run over this bridge at present is due to the slack traffic, but, as I pointed out in my reply, the Chord route has been closed since the last monsoon.

**Mr. S. C. Mitra:** Is it a fact that one or two passenger trains passed over the bridge when it was found that it was not fit for heavy traffic and that thereafter the running of mail and express trains over the bridge ceased?

**Mr. P. R. Rau:** I am not aware of that, but I shall get the information for my Honourable friend if he desires.

**Mr. S. C. Mitra:** I shall be glad to have it.

**Mr. B. V. Jadhav:** Is it not a fact that a chord line is built in order to shorten the distance?

**Mr. P. R. Rau:** And sometimes as an alternative route.

**Mr. B. V. Jadhav:** May I know why this chord was constructed?

**Mr. P. R. Rau:** I have given reply in full in my answer to the main question: I gave three reasons, and one of them was to have an alternative means of communication for the East Indian Railway stations with the docks and Calcutta.

**Dr. Ziauddin Ahmad:** I did not follow the answer to part (e)—whether the sinking is due to defective construction.

**Mr. P. R. Rau:** No.

**Dr. Ziauddin Ahmad:** It is admitted that there has been sinking?

**Mr. P. R. Rau:** Yes: I said that there has been sinking in this particular case as has been the case with practically every construction.

**Dr. Ziauddin Ahmad:** Does the Honourable Member mean to say that every building in the whole of India is now sinking?

**Mr. P. R. Rau:** I think, Sir, I had better repeat my reply: I said:

"No part of the bridge itself has begun to sink, but there have been from time to time sinking of the track and slips in the embankment on the approaches to the bridge, which have been caused by heavy and continuous rainfall on the earthbanks due to the fact that they have not yet had time to consolidate properly. As such defects develop in similar circumstances even on railways that have long been in existence, it is not surprising that there has been such trouble in the case of the Calcutta chord railway, especially as the approach banks are of considerable height and the local earth, of which they are made, is not of very good quality."

**Dr. Ziauddin Ahmad:** Were not all these things foreseen before final sanction was given to the scheme? The Railway Board knew the condition of the ground, and these things should have been foreseen. Why did they not do it? I want an answer.

**Mr. P. R. Rau:** So far as I am aware, Sir, these are matters of ordinary occurrence in railway lines before consolidation.

**Mr. S. C. Mitra:** Which cannot be provided against, is that so?

**Mr. P. R. Rau:** Quite so.

**Dr. Ziauddin Ahmad:** Do you admit that these 2½ crores of rupees have been wasted for the purpose of an experiment?

(No reply.)

#### RUNNING OF CERTAIN ENGINES OVER THE RAILS IN CERTAIN DIVISIONS OF THE EAST INDIAN RAILWAY.

1078. \***Mr. S. C. Mitra:** (a) Is it a fact that the rails between Moghal-sarai and Howrah are over 90 lbs. and in some places over 115 lbs.?

(b) Is it a fact that the replacement of rails by 115 lbs. and above is due to the heavy XB and XC engines?

(c) Is it a fact that the XC, XD and XE engines are not allowed to run over the rails in the Howrah, Allahabad, Lucknow and Moradabad Divisions of the East Indian Railway? If so, will Government please state the reasons for such prohibition?

**Mr. P. R. Rau:** (a) 115 lbs. and 90 lbs. rails have been adopted as the standard sections for the main lines of the East Indian Railway. No rails heavier than 115 lbs. have been laid on this Railway.

(b) No. Both form part of the same scheme to increase efficiency and reduce expenditure of operation by the introduction of heavier train loads necessitating heavier locomotives and heavier rails.

(c) No. XC, XD and XE class can run over the main line of the Howrah, Allahabad, Lucknow and Moradabad Divisions subject to restrictions of speed over certain sections where the old sections of rail lighter than 90 lbs. and 115 lbs. are still in the track.

**Mr. S. C. Mitra:** Is not the Honourable Member aware that during the last twelve months there have been more than three accidents in this part of the East Indian Railway, some of which were attributed to political reasons but, later on, it was found that these accidents were due to defect in the track itself?

**Mr. P. R. Rau:** I am not aware of any accident that was due to running of heavier locomotives.

**Dr. Ziauddin Ahmad:** Will the Honourable Member admit that they first purchased engines which later on were found to be unsuitable for this track? Then they spent money in altering bridges, tracks and engine sheds.

**Mr. P. R. Rau:** I shall have to turn up ancient records to give a reply. I am not aware of it from my personal knowledge.

**Dr. Ziauddin Ahmad:** Will the Honourable Member do it now? He has come to know of it.

(No reply.)

#### MANUFACTURE BY JAPAN OF MARBLE TILES BEARING LORD MAHABIR'S PORTRAIT.

1079. \***Mr. Lalchand Navalrai:** (a) Do Government know that Japan manufactures and exports marble tiles bearing Lord Mahabir's portrait?

(b) Are Government aware that the Jain community in India worships Lord Mahabir, and that their Tirthankaras' portraits have never been placed in the market before?

(c) Have Government received a representation from the Jubbulpur Jain community protesting against such manufacture and import into India?

(d) Are Government aware that the Jain community's religious feelings are likely to be offended by the aforesaid act of Japan, and do Government propose to take suitable steps to see that Japan desists from exporting such tiles? If not, why not?

**The Honourable Sir Joseph Bhore:** (a) Enquiries made by the Government of India go to show that occasional consignments of porcelain tiles bearing a design representing Lord Mahabir have been imported at Bombay and more recently at Calcutta. It is understood, however, that importations at these ports have now ceased.

(b) and (c). Government have received representations to this effect from the Jain community at various places in India but none so far from Jubbulpur.

(d) The necessity for action does not now exist.

#### EFFECTS OF THE RECOMMENDATIONS OF THE RETRENCHMENT COMMITTEE OF THE GOVERNMENT OF INDIA ON THE NORTH-WEST FRONTIER PROVINCE.

1080. \***Mr. B. Das:** (a) Will Government be pleased to state if the recommendations of the Retrenchment Committee of the Government of

India are in any way binding on the superior services of the North-West Frontier Province?

(b) Was it not the general procedure that no officer should be given extensions?

**The Honourable Sir George Schuster:** (a) As the Retrenchment Committee was a purely advisory body its recommendations are not binding on any Government. The Committee's recommendations with regard to provincial heads of expenditure were, however, communicated to the Government of the North-West Frontier Province.

(b) The general procedure with regard to the grant of extensions is stated in Chapter IX of the Fundamental Rules, a copy of which is available in the Library of the House. No special instructions were issued on this subject in connection with the retrenchment campaign.

#### RETRANSFER OF BENGAL DETENUS AND OTHER PRISONERS IN MADRAS TO BENGAL.

1081. \***Mr. K. P. Thampan:** (a) Has the attention of Government been drawn to the statement made by the Crown Prosecutor, Madras, in the conspiracy case now pending before the Special Magistrate, that it was "by coming into contact with the aforesaid Bengal detenus the accused imbibed the cult of violence and terrorism"?

(b) Do Government propose to consider the desirability of retransferring all the Bengal detenus and other prisoners to Bengal and stop the practice of sending such prisoners to Madras? If not, why not?

**The Honourable Sir Harry Haig:** (a) Yes.

(b) It has not been found practicable to transfer the Bengal State Prisoners from the Madras Presidency, but the question of making better arrangements for their segregation is under consideration.

**Mr. K. P. Thampan:** May I know, Sir, whether there is any other province, besides Madras, to which Bengal detenus and prisoners are sent?

**The Honourable Sir Harry Haig:** Yes, Sir; it has been found necessary to ask a number of Local Governments to accept these prisoners.

**Mr. K. P. Thampan:** Are not Government aware that since the murder of the late Mr. Ash, the Collector of Tinnevelly in 1908, there has been no political murder in the Madras Presidency? Will the Honourable Member, therefore, realise, that in the interest of law and order and with a view to preserving a peaceful atmosphere in that Presidency, it is highly desirable that these Bengal detenus are not sent to Madras?

**The Honourable Sir Harry Haig:** We should certainly, Sir, much prefer not to send the Bengal prisoners to Madras, but, in the existing conditions in Bengal, it is very necessary that these prisoners should be removed from the Bengal Presidency, and we, therefore, have to ask various Local Governments to assist the Government of Bengal in taking charge of these prisoners.

**Mr. K. P. Thampan:** Have the Government of India cared to ask the Government of Madras and ascertain their opinion in this matter?

**The Honourable Sir Harry Haig:** The Madras Government would no doubt be very glad to be relieved of the charge. It is not a charge which any Local Government is anxious to accept, but I trust that it may be possible to make arrangements for their segregation which will prevent a repetition of these incidents.

**Mr. Lalchand Navalrai:** Is it not a fact that these detenus are really imbibing the cult of violence in Madras?

**The Honourable Sir Harry Haig:** Imbibing or disseminating?

**Mr. Lalchand Navalrai:** I mean disseminating.

**The Honourable Sir Harry Haig:** I think, Sir, generally speaking, that is our information.

**Mr. Lalchand Navalrai:** May I know if their transfer to other Local Governments will be welcomed on that account, because there also these detenus may create similar trouble?

**The Honourable Sir Harry Haig:** No, Sir; I have explained that no Local Government welcomes these prisoners.

**Mr. Lalchand Navalrai:** Then, how is it that this difficulty in Madras is going to be met with?

**The Honourable Sir Harry Haig:** I said, Sir, that I hope it will be possible to make more effective arrangements in Madras for their segregation.

**Mr. Lalchand Navalrai:** And not to send them to the Andamans?

**The Honourable Sir Harry Haig:** Well, Sir, hitherto our policy has been only to send convicted prisoners to the Andamans.

#### AMENDMENT OF SECTIONS 31 AND 32 OF THE INDIAN INCOME-TAX ACT.

1082. \***Seth Haji Abdoola Haroon:** (a) Will Government be pleased to state whether the Central Board of Revenue have received any representations from merchants in Karachi regarding the amendment of section 31 of the Indian Income-tax Act, 1932, and whether in reply to one of these representations Government stated that section 32 would be amended when a general amendment of the Act was undertaken? If the reply be in the affirmative, will Government be pleased to state when they propose to amend the Act?

(b) Will Government be pleased to state if any representations have been made to them by merchants in Karachi, suggesting that the term "assessment" may be defined? If the reply be in the affirmative, will Government be pleased to state when it is proposed to take action in this direction?

**The Honourable Sir George Schuster:** (a) The Central Board of Revenue received a representation from a firm of merchants in Karachi in November, 1931, suggesting amendments of sections 31 and 32 of the Indian Income-tax

Act so as to remove a possibility that existed of appeals under the latter section against orders under the former section being time-barred before the orders had reached the party concerned. An amendment of the Act designed to secure this object was made by section 14 of the Indian Income-tax (Second Amendment) Act, 1933, which became law last September.

(b) Such a representation has been received. The Central Board of Revenue pointed out in reply that it would be impossible to remove the difficulties that arise out of the definition of the term "assessee" in the Act and the use of cognate terms in different sections, except at a time when a radical overhauling of the Act was undertaken. I am not in a position to say that the Government can contemplate any such radical overhaul of the Act at an early date.

#### PUBLICATION OF THE INDIAN FINANCE (SUPPLEMENTARY AND EXTENDING) ACT, 1931, IN SINDHI.

**1083. \*Seth Haji Abdoola Haroon:** Will Government be pleased to state whether the Indian Finance (Supplementary and Extending) Act, 1931, was published in Sindhi and if so, when?

**The Honourable Sir Brojendra Mitter:** The Indian Finance (Supplementary and Extending) Act, 1931, was published in Sindhi in Part IV of the Sind Official Gazette, dated the 17th December, 1931.

#### ASSESSMENT OF INCOME-TAX IN KARACHI.

**1084. \*Seth Haji Abdoola Haroon:** Will Government be pleased to state if it is a fact that for the assessment years 1931-32 and 1932-33, the Income-tax Officer, B. Division, Karachi, has assumed for the purpose of income-tax assessment his own figures of turnover instead of those shown by the books of the taxpayers specially in cases in which registration was sought by the assessees? If the reply be in the affirmative, will Government be pleased to obtain and lay on the Assembly table a list showing the number of assessments for each year separately?

**The Honourable Sir George Schuster:** The reply to the first part of the question is in the negative: the Income-tax Officer has only framed his own estimate of the profit on turnover when the accounts submitted were so incomplete or unreliable that they could not be accepted for the purpose. The second part of the question does not arise.

#### RUMOURED ARREST OF EIGHT PERSONS OF THE BUGTI TRIBAL COUNTRY AT JACOBABAD.

**1085. \*Seth Haji Abdoola Haroon:** (a) Are Government aware that it is rumoured that recently Nawab Mahrab Khan of Dera Bugti (Baluchistan) in consultation with the Political Agent, Sibi, got arrested eight persons belonging to Bugti tribal country, including Wadero Tangai Khan at Jacobabad (Sind), without any definite reason? If so, will Government be pleased to state whether this is correct?

(b) Is it a fact that these persons were detained in jail for no fault, and the next day, the Deputy Commissioner, Jacobabad, found them innocent and released them on the condition that they would go to Jhat Pat (Baluchistan) with the Assistant Political Officer, Nasirabad, for recording their statements there?

(c) Is it a fact that in compliance with the order of the Deputy Commissioner, Jacobabad, the above eight persons went to Jhat Pat (Baluchistan) from where they were brought to Nasirabad and interned there for various periods at the instigation of Nawab Mahrab Khan Bugti?

(d) Is it a fact that later on these persons were found innocent, and the Assistant Political Officer, Nasirabad, released them?

(e) If the replies to parts (a), (b), (c) and (d) above be in the affirmative, will Government be pleased to state on what authority and under what rule these persons were arrested?

**Mr. H. A. F. Metcalfe:** (a), (b), (c) and (d). The facts of the case, to which the Honourable Member apparently alludes, are reported to be as follows: Tangi Khan with several followers entered British India from Bugti tribal territory and having been found wandering in Sindh without visible means of subsistence were arrested by the Jacobabad police, who suspected them of an intention to commit offences. The Assistant Political Agent, Nasirabad Sub-Division of the Sibi District, happened to be in Jacobabad at the time and hearing of the arrest he suggested to the Deputy Commissioner that Tangi Khan and his companions should be released and permitted to accompany him to his headquarters in order that he might arrange for their repatriation to their own country. The District Authorities agreed and Tangi Khan and his companions were released and subsequently returned of their own free will to Bugti tribal territory in order to make their peace with their Tumandar.

(e) Does not arise.

#### IMPRISONMENT OF WADERO BAHLEL KHAN AND WADERO DILIJAN KHAN, *MUKADAMS* OF DERA BUGTI (BALUCHISTAN).

1086. \***Seth Haji Abdoola Haroon:** (a) Will Government be pleased to state if it is a fact that Wadero Bahlel Khan and Wadero Dilijan Khan, *Mukadams*, who represent two-third of a thousand people each, desired to leave their beloved country—Dera Bugti (Baluchistan)—recently on account of unbearable tyrannies at the hands of Nawab Bugti in order to secure protection in Sind under British rule, but that they were induced and misled by the Nawab's men at his instigation, and brought to Quetta where in consultation with the Political Agent, Sibi, they were hand-cuffed and brought to Sibi Jail, where those unfortunate persons are still in prison?

(b) If the reply to part (a) above be in the affirmative, will Government be pleased to state whether any prosecution took place before their imprisonment and, if so, what was the charge against them?

(c) Is it a fact that a petition on this subject signed by three head persons and dated the 18th September, 1933, was received by the Honourable the Agent to the Governor General, Quetta and Chief Commissioner in Baluchistan?

(d) If the reply to part (c) above be in the affirmative, will Government be pleased to state whether the facts alleged in the petition are correct?

(e) Will Government be pleased to state, whether they intend to look into their case and release the above persons if they are found innocent?

**Mr. H. A. F. Metcalfe:** (a) and (b). Bahlel Khan and Dilijan Khan were arrested in Quetta, because they were found to be attempting to interfere with the settlement of inter-tribal cases on the occasion of the Mar-

Bugti Joint Jirga. This conduct was considered by the local authorities calculated not only to promote ill-feeling between these two tribes but also to cause breaches of the peace and these two persons were therefore called on to furnish security for their future good behaviour. They are still in custody pending their furnishing such security.

(c) and (d). Government have no information.

(e) On the facts before them Government do not consider that any further enquiry is necessary.

#### RECRUITMENT TO THE SUPERIOR RAILWAY SERVICES AFTER THE CONSTITUTION OF THE STATUTORY RAILWAY BOARD.

**1087. \*Mr. Gaya Prasad Singh:** (a) Will Government be pleased to state whether under the proposed constitution of the Statutory Railway Board recruitment to the Superior Railway Services will continue as at present by the Public Service Commission?

(b) Will Government please also state whether the present undertaking whereby 75 per cent. recruitment to such services, including that on the Company-managed Railways, is made from among Indians, will be binding on the new Railway Board?

**The Honourable Sir Joseph Bhore:** Neither of these questions is specifically dealt with in the sketch proposals for the future administration of Indian Railways, though a recommendation is made that the Public Service Commission should be consulted in regard to the framing of rules to regulate recruitment of the Superior Railway Services. As far as I can see there is no reason whatever to anticipate that the percentage of Indian recruitment will be reduced in consequence of the constitution of a Statutory Railway Authority.

#### ABSENCE OF WAITING ROOMS AT RAJGHAT STATION, EAST INDIAN RAILWAY.

**1088. \*Rai Bahadur Kunwar Raghubir Singh:** (a) Will Government be pleased to state if they are aware that Rajghat station (East Indian Railway) is visited by lakhs of pilgrims and that there is no waiting room there for first or second or intermediate class passengers?

(b) Are Government aware that great inconvenience is caused to pilgrims on that account?

**Mr. P. R. Rau:** The information is being obtained from the Railway Administration concerned and a reply will be laid on the table in due course.

#### ABSENCE OF A THROUGH PASSENGER TRAIN FROM DELHI TO ALLAHABAD.

**1089. \*Rai Bahadur Kunwar Raghubir Singh:** (a) Are Government aware that there is no through passenger train from Delhi to Allahabad?

(b) Are Government aware that the present time-table of the East Indian Railway, is unpopular for abrupt discontinuance of several passenger trains?

(c) Do Government propose to restore the old trains in view of motor bus competition?

**Mr. P. R. Rau:** So far as I know there are four trains each way carrying passengers which run through from Delhi to Allahabad and further; but these are either mail or express trains and possibly my Honourable friend is referring to trains which stop at every station. I am making enquiries on this point and the points raised in parts (b) and (c) of the question from the Agent, East Indian Railway, and will place a further reply on the table in due course.

**Dr. Ziauddin Ahmad:** There are at least two passenger trains running throughout the line, and there is break of service at important junctions like Tundla, Lucknow, Cawnpore and Allahabad. The question is whether it will not be convenient if one passenger train is run direct without breaks and another passenger train with breaks as at present to suit local traffic.

**Mr. P. R. Rau:** I shall convey my Honourable friend's suggestion to the Agent of the East Indian Railway.

#### CONTRIBUTORY PROVIDENT FUND IN CURRENCY OFFICES.

1090. \***Mr. Lalchand Navalrai:** (a) Will Government be pleased to state whether the Controller of the Currency had issued any circular regarding the Contributory Provident Fund to the Currency Associations, inviting their views on it?

(b) Was the scheme approved by the Associations of the Currency employees?

(c) Why has it not been given effect to?

(d) Is it a fact that this question has been before Government for consideration for over eleven years? If so, how long do Government still intend to keep this question pending?

(e) Is it a fact that the Currency Offices Union has been informed that the Government of India have decided to drop the question for the time being as the Union is not willing to adopt it unless it is substantially amended? If so, do Government intend to amend the scheme as proposed by the Union?

**The Honourable Sir George Schuster:** With your permission, Sir, I will deal with questions Nos. 1090 and 1091 together.

Enquiry is being made from the Controller of the Currency. The information will be laid on the table of the House as soon as it is available.

**Mr. Lalchand Navalrai:** May I know whether the report will be submitted soon, or will it take an undue time?

**The Honourable Sir George Schuster:** I have told my Honourable friend that the information will be laid on the table as soon as it is available.

**Mr. Lalchand Navalrai:** Thank you

#### CONTRIBUTORY PROVIDENT FUND IN CURRENCY OFFICES.

†1091. \***Mr. Lalchand Navalrai:** (a) Will Government be pleased to state whether the Currency Offices staff was consulted when the scheme proposed by the Controller of the Currency was introduced in 1919?

†For answer to this question, see answer to question No. 1090.

(b) Was the Currency Offices staff consulted and did they agree to accept the revised scales in 1924? If not, why were they introduced without the approval of the staff Associations?

(c) Is it the policy of Government to consult and to act according to the wishes of the staff whenever they have to introduce any changes? If not, why are Government not giving immediate effect to the proposed scheme?

#### COMPLAINTS AGAINST THE JODHPUR RAILWAY.

**1092. \*Mr. Lalchand Navalrai :** (a) Are Government aware that the Jodhpur Railway line between Hyderabad (Sind) and Marwar has been in existence for the last two decades and a half?

(b) Are Government aware that a large number of passengers to Kathiawar, Gujarat and Bombay travel over this line throughout the year, more particularly during the monsoon?

(c) Are Government aware of the high percentage of profit derived by this Railway?

(d) Will Government please state why higher fares are charged on this Railway than on the North Western and Bombay, Baroda and Central India Railways?

(e) Are Government aware that passengers have made frequent complaints to the Jodhpur Railway authorities about the very narrow size of latrines provided in the third class carriages? If so, have the authorities made any attempt to make improvements?

(f) Is it not a fact that other Railways—either private-owned or State-owned—have advanced with the times and are Government aware that the Jodhpur Railway has made very little progress in the matter of accommodation and service?

(g) Do Government propose to use their influence to see that this State Railway is conducted on the same principle as other Railways?

(h) What are the conditions and terms of agreements between Government and this Railway?

(i) What kind of control do Government possess over this Railway? If none, are Government prepared to take immediate steps to do so?

**Mr. P. R. Rau:** (a) The line between Hyderabad (Sind) and Marwar was opened for traffic in December, 1900.

(b) The statistics available do not give this information, but I am quite prepared to take the Honourable Member's word for it.

(c) The net earnings of 1932-33 represented about 6 per cent. of the total capital at charge.

(d) to (i). The Railway is worked by the Jodhpur Durbar, and is owned by it except for a small portion outside the limits of the State which though not owned by it is worked as an integral part of the system. The Government of India do not interfere with its management.

**Mr. M. Maswood Ahmad:** Is there any private-owned railway in the country?

**Mr. P. R. Rau:** It is owned by the Jodhpur Durbar. It is a State.

**Mr. M. Maswood Ahmad:** So there is no private-owned railway?

**Mr. P. R. Rau:** It is private so far as the Government of India are concerned.

**Mr. Lalchand Navalrai:** In view of the coming Federal Constitution in which the States also are going to join, is it very difficult for the Government to draw the attention of the Jodhpur Durbar to fall in with the times and carry on their business in the railway just as any State Railway does?

**Mr. P. R. Rau:** I do not think that that is part of the business of the Railway Department.

**Mr. Lalchand Navalrai:** I did not follow the answer.

**Mr. P. R. Rau:** I do not think that that is part of the business of the Railway Department.

**Mr. Lalchand Navalrai:** That is throwing the burden on some other Department.

†1093.\*

#### APPOINTMENT OF MUSLIMS TO THE INDIAN SERVICE OF ENGINEERS IN THE UNITED PROVINCES.

1094. \***Khan Bahadur Haji Wajihuddin:** (a) Is it a fact that the total sanctioned cadre of the Indian Service of Engineers in the United Provinces is 70?

(b) Is it a fact that there are three vacancies in the cadre in the grade of Assistant Executive Engineers?

(c) Is it a fact that Mr. A. T. Braybrooke is retiring in November, 1933 and that Mr. J. S. Lee has taken leave preparatory to retirement and that Mr. S. F. Bett has been transferred to the Delhi Circle?

(d) Is it a fact that there are only three Muslims in the Indian Service of Engineers in the United Provinces?

(e) Is it a fact that no Muslim has been promoted from the Provincial Service of Engineers to the Indian Service of Engineers since the time the United Provinces Engineering Service was instituted?

(f) Is it not a fact that qualified Mussalmans with approved service are available in the department and outside?

(g) When do Government propose to fill up the vacancies referred to in part (c)?

(h) Do Government propose to consider the claims of Mussalmans at the time of new appointments?

**The Honourable Sir Frank Noyce:** (a) Yes.

(b) Yes.

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\*This question was disallowed.

(c) So far as Messrs. A. T. Braybrooke and S. F. Bett are concerned, the reply is in the affirmative. Mr. J. S. S. Lee has been granted leave for one year with effect from the 5th October, 1933, but the Government of India are not aware whether this leave is preparatory to retirement or not.

(d) Yes.

(e) Yes.

(f), (g) and (h). These questions do not arise at present, as the Government of India have decided, with the approval of the Secretary of State, to suspend further recruitment to the Indian Service of Engineers, either by promotion from Provincial Engineering Services or by open competition, pending a decision on the recommendation of the Services Sub-Committee of the Indian Round Table Conference that the Irrigation Branch of the Service should be provincialised.

#### DIFFICULTIES OF THE STAFF OF THE CENTRAL PUBLICATION BRANCH DUE TO ITS TRANSFER TO DELHI.

1095. \*Mr. S. C. Mitra: (a) Will the Honourable Member in charge of the Department of Industries and Labour kindly refer to his reply to part (c) of my starred question, No. 166, dated the 29th August, 1933, regarding the difficulties of the staff of the Central Publication Branch due to its transfer to Delhi, and be pleased to explain more fully what he means by saying that the transfer of the Central Publication Branch, "is serving its purpose"?

(b) With reference to part (b) of the reply to my starred question referred to above, will Government be pleased to state what are the other considerations than those mentioned in my question that influenced the decision of the Standing Finance Committee in favour of the transfer?

(c) Will Government be pleased to state the specific advantages that are expected to accrue from the transfer?

**The Honourable Sir Frank Noyce:** (a) The phrase "is serving its purpose" means that the objects underlying the transfer of the Central Publication Branch to Delhi are being achieved.

(b) and (c). The attention of the Honourable Member is invited to pages 492-494 of the proceedings of the Standing Finance Committee dated the 19th February, 1932 (Volume XI, No. 17), which set out clearly the considerations which led to, and the advantages which would accrue from, the transfer of the Branch.

#### STOCK-TAKING OF PUBLICATIONS IN THE CENTRAL PUBLICATION BRANCH.

1096. \*Mr. S. C. Mitra: (a) Will Government be pleased to state whether it is a fact that arrangements and counting of stock of publications received from Calcutta to Delhi at the time of the transfer of the Central Publication Branch to Delhi were entrusted to the Officiating Assistant Manager of Publications? Is it not a fact that the Controller of Printing and Stationery with his Deputy personally supervised arrangements for store for some months?

(b) With reference to the reply to part (d) of my starred question No. 166 of the 29th August, 1933, will Government please state whether the closing and opening balances of the stock of various publications tallied in every case? If not, in how many cases of publications were discrepancies detected?

(c) What is the total value of the publications in regard to which discrepancies in relation to opening and closing balances were disclosed?

(d) What are the titles of the publications about which such discrepancies occurred?

(e) How is it proposed to reconcile the discrepancies?

**The Honourable Sir Frank Noyce:** (a) The work was under the control of the Officiating Assistant Manager at Delhi. During the months of May and June the Controller of Printing and Stationery with his Deputy visited the Branch and watched the progress of work, expediting it and giving instructions where necessary.

(b) to (e). The work of reconciling the opening and closing balances is still in progress and the necessary information regarding discrepancies is not available at present. Government have not yet considered how the question of reconciling of discrepancies will be treated.

#### LEDGER AND STOCK FIGURES OF THE CENTRAL PUBLICATION BRANCH.

1097. \***Mr. S. C. Mitra:** (a) With reference to the reply to part (e) of my starred question No. 166, dated the 29th August, 1938, will Government be pleased to state whether the work of reconciliation between ledger and stock figures has been completed? If not, when is it expected to be completed?

(b) Is it a fact that a considerable number of men on a daily wage basis were recruited at Delhi, when the Central Publication Branch was in the process of transfer, for the purpose of arrangement of stock? If so, how many men were recruited for the purpose?

**The Honourable Sir Frank Noyce:** (a) The attention of the Honourable Member is drawn to the reply given by me today to parts (b) to (e) of his starred question No. 1096. It is not possible to forecast with any degree of accuracy when the work will be completed but it may take about two months.

(b) A statement giving the required information is laid on the table.

*Statement showing the number of men engaged for the purpose of arrangement of stock when the Central Publication Branch was in the process of transfer from October 1932 to March 1933.*

	Counters.	Record Suppliers and Dutries.	Labourers.	Total.
October, 1932	.	3	4	7
November, 1932	.	5	5	10
December, 1932	2	14	17	33
January, 1933	7	21	19	47
February, 1933	7	33	32	72
March, 1933	7	42	35	84

**QUARTERS ALLOTTED TO THE STAFF OF THE CENTRAL PUBLICATION BRANCH.**

1098. \***Mr. S. C. Mitra:** (a) With reference to the reply to part (b) of my starred question No. 168, dated the 29th August, 1933 and also to part (a) of my starred question No. 169 of that date, regarding the residential accommodation allotted to the staff of the Central Publication Branch, will Government be pleased to state whether it is a fact that the Public Works Department reported to the Department some time in July last that the quarters had outlasted their utility?

(b) If so, why have quarters that have outlasted their utility been allotted to the staff of the Central Publication Branch?

(c) Are full assessed rents being realised from the occupants?

(d) Do Government propose to allot some of the quarters now under construction to the staff of the Central Publication Branch?

**The Honourable Sir Frank Noyce:** (a) No. The Public Works Department expressed the opinion in July last that the quarters had lasted longer than would ordinarily be expected of temporary buildings. They are admittedly in bad condition; but they are still useful, and are in demand.

(b) Does not arise.

(c) Yes, subject to the usual limitation of ten per cent. of emoluments. I may add that as these quarters were built inexpensively, their rents are low.

(d) No. The new quarters under construction are in New Delhi and are intended primarily for Government servants working in New Delhi. They will not ordinarily be allotted to the staff of the Central Publication Branch so long as it is located in Old Delhi.

**DISPOSAL OF CERTAIN PUBLICATIONS AS WASTE PAPER ON THE EVE OF THE TRANSFER OF THE CENTRAL PUBLICATION BRANCH TO DELHI.**

1099. \***Mr. S. C. Mitra:** (a) With reference to the reply to my starred question No. 180, dated the 30th August, 1933, regarding the disposal of certain publications as waste paper on the eve of the transfer of the Central Publication Branch to Delhi, will Government be pleased to state the approximate amount of space released by the disposal of publications as waste paper?

(b) Is it a fact that the work of weeding of the stock of publications was undertaken only a few months before the commencement of the transfer?

(c) Are Government aware that when the Stores, Printing and Stationery Retrenchment Committee paid a visit to the Central Publication Branch in Calcutta, huge lots of publications to be disposed of as waste paper were piled up in the corridors and verandahs of the office premises? If so, why?

(d) Is it a fact that single storeyed racks have been installed in the Delhi office of the Central Publication Branch?

(e) Is it a fact that in the Calcutta office double-storeyed racks existed for the storage of publications?

(f) If the reply to part (e) be in the affirmative, how do Government compare the storage accommodation available in Delhi with that of Calcutta as referred to by Government in their reply to part (h) of my unstarred question No. 58, dated the 13th September, 1933?

**The Honourable Sir Frank Noyce:** (a) It is not possible to give the information required as a large number of publications disposed of as waste paper were stored in corridors and other places.

(b) No. The weeding of stocks of old publications is carried on throughout the year.

(c) Yes. The publications in question were stacked in the corridors and verandahs pending removal by the waste paper contractor.

(d) and (e). Yes.

(f) The floor area of the Delhi building is approximately three times greater than that of Calcutta, while the storage capacity of the racks is 98,400 cubic feet against about 65,000 cubic feet in Calcutta.

#### LACK OF ACCOMMODATION FOR OFFICE ROOMS OF THE CENTRAL PUBLICATION BRANCH.

1100. \***Mr. S. C. Mitra:** (a) Are Government aware that the Delhi office of the Central Publication Branch lacks suitable accommodation for office rooms?

(b) Are Government aware that the staff of the office have been kept huddled together in small apartments for want of accommodation? Will Government be pleased to state how many men are working in the room in which the General Publishing and Type sections, etc., of the office exist? What is the amount of floor space of the room? How many tables and chairs are there in the room? What is the amount of floor space covered by those tables? What is the amount of space covered by other furniture, viz., almirahs, racks, etc.?

(c) Is there not a rule fixing the minimum space to be provided for each clerk and heads of sections? If so, has the rule been observed in the cases of the above sections of the office? If not, why not?

(d) Are Government aware that the Accounts and Cash sections of the office of the Central Publication Branch suffer from congestion?

(e) Are Government aware that the apartment in which the Cash Section is located is unsafe?

(f) Are Government aware that the Cash Section cannot be suitably located for want of rooms surrounded by closed walls?

(g) Will Government be pleased to state whether the problem of want of space in Calcutta has been solved in Delhi?

**The Honourable Sir Frank Noyce:** (a) Ample accommodation exists for office rooms.

(b) No. 17 men including two Record Suppliers are working in the room in question which has 1,057 square feet floor space. There are 15 tables and chairs for the men and the area occupied by the tables is approximately 240 square feet. The other furniture occupies approximately 84 square feet.

(c) There is no hard and fast rule fixing the minimum office space for clerks and heads of sections. The space usually allowed is 40 square feet for a clerk and 64 square feet for a superintendent. The last part of the question does not arise.

(d), (e) and (f). No.

(g) Yes.

**ALLEGED PREPONDERANCE OF ANGLO-INDIAN OFFICERS AT THE HEAD-  
QUARTERS OFFICE OF THE CONTROLLER OF PRINTING AND STATIONERY.**

1101. \***Mr. S. C. Mitra:** Are Government aware of the existence of an Anglo-Indian group at the Headquarters office of the Controller of Printing and Stationery? Is the Deputy Controller of the Headquarters office an Anglo-Indian? Is the Assistant Controller of Headquarters office an Anglo-Indian? How many gazetted officers are there in the Headquarters office of the Controller besides the Controller? Is it a fact that the present Manager of Publications is an Anglo-Indian?

**The Honourable Sir Frank Noyce:** The answer to the first part is in the negative. The Deputy Controller is of non-Asiatic domicile; the officiating Assistant Controller is an Anglo-Indian. These are the only two gazetted officers in the Headquarters office besides the Controller. The officiating Manager of Publications is an Anglo-Indian.

**ALLEGED INEFFICIENCY OF STAFF OF THE CENTRAL PUBLICATION BRANCH.**

1102. \***Mr. S. C. Mitra:** (a) Is it a fact that the Manager of Publications assumed charge of office in July last?

(b) Is it a fact that he sent a report to the Controller of Printing and Stationery towards the end of July that the whole staff were inefficient?

(c) If so, will Government please state whether the question of the general inefficiency of staff was ever reported to the Controller before by any of his predecessors?

(d) Who was the permanent Manager of Publications? Did he ever report to the Controller regarding the inefficiency of the staff? How could the present Manager conclude that the whole staff were inefficient in the course of one month?

(e) Is it a fact that the Controller has submitted a report to Government on the basis of the Manager's report?

**The Honourable Sir Frank Noyce:** (a) Yes.

(b) I understand that a report showing the need for a much higher standard of efficiency from the staff of this Branch was submitted, but I am not aware exactly when it was sent.

(c) I am not aware of any such reports, but unfavourable reports on the inefficiency of the staff in this Branch were submitted to Government by independent officers in 1926 and 1930.

(d) Mr. J. H. Golder was the permanent Manager. So far as I am aware he made no report on the subject. The last part of the question does not arise.

(e) The Controller has submitted a report to Government, but his report was based on almost daily personal investigation in May and June last.

**GRADUATES IN THE CENTRAL PUBLICATION BRANCH.**

1103. \***Mr. S. C. Mitra:** How many graduates are there in the office of the Central Publication Branch in the clerical grade? What are their lengths of service?

**The Honourable Sir Frank Noyce:** Eleven graduates are employed in the clerical grades (excluding Assistants and day extra employees) in the Central Publication Branch. Their service varies from three months to eight years.

**OFFICE ORDER ABOUT LEAVING STATION WITHOUT PREVIOUS PERMISSION  
IN THE CENTRAL PUBLICATION BRANCH.**

1104. \***Mr. S. C. Mitra:** (a) Is it a fact that the Manager of Publications has of late issued an office order to the effect that no one of the staff should leave the station without previous permission?

(b) If so, will Government please refer to the rule that empowers the Manager to issue such an order?

**The Honourable Sir Frank Noyce:** (a) Yes.

(b) There is no specific rule but it is a well established practice that a Government servant must not leave his station without the permission of his superior officer.

**RACIAL DISCRIMINATION ON THE EAST INDIAN RAILWAY IN THE MATTER OF APPOINTMENTS.**

1105. \***Mr. S. C. Mitra:** (a) Is it a fact that in spite of the assurance given in reply to my starred question No. 291 (a) of 10th September, 1929, racial discrimination is deliberately maintained on the East Indian Railway, in the matter of appointments?

(b) If the answer to part (a) above be in the negative, will Government please state the reasons for appointing one European or Anglo-Indian *ex-apprentice* of the Lillooah Workshop (East Indian Railway) who completed his training on the 18th September, 1930, who passed in the Second Division, and who had no qualifications of Train Examiner, as Train Examiner under the Divisional Superintendent, Howrah and what were the grounds for not selecting his seniors who passed in the First Divisions and who are still unemployed? Are Government prepared to take steps to replace him by an Indian from the waiting list according to seniority and the division he passed from the Technical School? If not, why not?

(c) Is it a fact that one European or Anglo-Indian *ex-apprentice* of the Lillooah Workshop (East Indian Railway) who completed his training in April, 1933, was appointed as a Train Examiner under the Divisional Superintendent, Howrah, without even being called for interview along with the other *ex-apprentices* who completed their training up to the year 1932, ignoring the claims of many seniors of 1929 and 1930, who passed in the First Division?

(d) If the answer to part (c) above be in the affirmative, will Government please state why racial discrimination was made in appointing him without even being called for interview? Are Government prepared to put strictures without further delay, on the officers concerned, to stop such practice in future and to take necessary steps to replace him by an Indian from the waiting list? If not, why not?

(e) If the answer to part (c) above, be in the negative, are Government prepared to institute an early inquiry into the matter and take necessary steps? If not, why not?

(f) Is it also a fact that 33.3 per cent. European or Anglo-Indian *ex-apprentices* of the Lillooah Workshop (East Indian Railway) have been appointed as Train Examiners under the Divisional Superintendent, Howrah, although better qualified Indians were available?

(g) If the answer to part (f) above be in the affirmative, will Government please state the reasons for appointing 38·3 per cent. Europeans or Anglo-Indians in preference to many senior better qualified Indians?

(h) Do Government propose to appoint *ex-apprentices* of the Lillooah Workshop (East Indian Railway) in all future cases, as Train Examiners from the waiting list strictly according to seniority and the Divisions they passed from the Technical School without making any racial discrimination, and issue orders to all Divisional Superintendents to this effect without further delay? If not, why not?

**Mr. P. R. Rau:** With your permission, Sir, I propose to reply to questions Nos. 1105 to 1110 together. I have called for certain information and will lay a reply on the table in due course.

#### APPOINTMENT OF APPRENTICES OF THE LILLOOAH WORKSHOPS.

†1103 \***Mr. S. C. Mitra:** (a) Is it a fact that the answer given in reply to my unstarred question No. 22 (c) of 5th September, 1932, relating to the appointment of Lillooah apprentices, is not correct and that it is not a fact that both of those two apprentices were sent back to the Lillooah Workshop for unsatisfactory work and irregular attendance?

(b) Is it also a fact that one of them was retained there for faithful discharge of his duties and regular attendance a week more after the strike was over? Is it also a fact that he worked there daily for eight hours including Sundays, Saturdays and public holidays?

(c) If the answer to parts (a) and (b) above be in the affirmative, will Government please state whether before appointing the Anglo-Indian [as stated in answer to Mr. Bhuput Sing's starred question No. 631 (b) of 4th March, 1932], they made any endeavour to select the Indian for the post? If not, why not? Are Government prepared to appoint him as a Train Examiner at the earliest opportunity and when the next vacancy arises and issue orders to all Divisional Superintendents to this effect without delay? If not, why not?

(d) Will Government please state why racial discrimination was made in appointing the said unsuccessful Anglo-Indian for the post who had no qualifications of Train Examiner?

(e) If the answer to parts (a) and (b) above be in the negative, are Government prepared to make an early inquiry into the matter and take necessary steps? If not, why not?

#### APPOINTMENT OF APPRENTICES OF THE LILLOOAH WORKSHOPS.

†1107. \***Mr. S. C. Mitra:** Will Government please supply the names of those two men who are referred to in answer to my unstarred question No. 22 (c) of the 5th September, 1932, with the following particulars:

- (i) dates on which they were returned to shops,
- (ii) daily working hours,
- (iii) number of days worked overtime, and
- (iv) date on which the strike was over?

If not, why not?

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+For answer to this question, see answer to question No. 1105.

**APPOINTMENT OF APPRENTICES OF THE LILLOOAH WORKSHOPS AS  
TRAIN EXAMINERS AND ELECTRICIANS.**

†1108. \***Mr. S. C. Mitra:** Will Government please state the number of vacancies which occurred in the grade of Train Examiners and Electricians under the Divisional Superintendents, East Indian Railway, since March, 1932, and the number of European, Anglo-Indian and Indian *ex-apprentices* of the East Indian Railway Workshop, Lillooah, taken in as such and also the number of vacancies lying unfilled with the following particulars:

- (i) name of the Division, and
- (ii) designation of the post?

If not, why not?

**APPOINTMENT OF APPRENTICES OF THE LILLOOAH WORKSHOPS.**

†1109. \***Mr. S. C. Mitra:** Will Government please state the number of *ex-apprentices* of the East Indian Railway Workshop, Lillooah, who are likely to be provided with suitable posts under the Chief Engineer, Chief Operating Superintendent, Controller of Stores, Deputy Chief Mechanical Engineers and Works Managers as referred to in answer to my starred question No. 918 (d) of 7th November, 1932, with their names? If not, why not?

**APPOINTMENT OF APPRENTICES OF THE LILLOOAH WORKSHOPS.**

†1110. \***Mr. S. C. Mitra:** (a) With reference to the assurance given in reply to my starred question No. 918 (d) of 7th November, 1932, is it a fact that *ex-apprentices* of the Lillooah Workshop (East Indian Railway) have not been appointed as Train Examiners, under the Chief Operating Superintendent in the Howrah Division from the waiting list?

(b) If the answer to part (a) above be in the affirmative, will Government please state the reasons for not selecting those senior *ex-apprentices* of the Lillooah Workshop (East Indian Railway) of 1929 and 1930, and who had passed in the First Divisions and who had prior claims to their juniors who completed their training at later dates? What were the grounds for selecting those four juniors (out of six) for the posts? Are Government prepared to take steps to replace them by those seniors who passed in the First Divisions and who are still waiting? If not, why not?

(b) If the answer to part (a) above be in the negative, will Government please lay on the table a statement showing the names of those who were appointed as Train Examiners under the Divisional Superintendent (Operating Department), Howrah, this year, with the following particulars:

- (i) dates of completion of their apprenticeship,
- (ii) Division in which they passed from the Technical School, and
- (iii) starting salaries?

If not, why not?

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\*For answer to this question, see answer to question No. 1105.

**RULES ABOUT TRAVELLING ALLOWANCE AND RAILWAY FARES FOR INDIAN SOLDIERS GOING ON LEAVE.**

(a) Will Government be pleased to lay on the table of this House a copy of the rules about travelling allowance and railway fares when Indian soldiers go on furlough or on leave for private affairs?

(b) Are Government aware that the Army Department allows only fare for the journey to the home of the sepoy and that he has to deposit with his officer the amount of the return fare, and that a warrant entitling him to get a third class ticket by an ordinary train is given him?

(c) Is he or is he not allowed to travel by mail train on paying the difference between the mail and ordinary train fares on his outward or return journey?

(d) If the reply to part (c) be in the affirmative, have Government enquired whether the railway authorities freely allow this change?

(e) If the reply to part (c) be in the negative, will Government please state the reason why an Indian sepoy is not allowed to enjoy the same concession which an ordinary non-military passenger can claim and is allowed to travel by a faster train by paying the difference in fares?

(f) Do Government propose to enquire into the matter of the harassment which a non-commissioned officer of the 3/5 Maratha Light Infantry was exposed to on the 30th September, 1933, at Kolhapur and Miraj stations of the Madras and Southern Mahratta Railway?

(g) Will Government be pleased to place on the table a copy of the rules in force in India and in the United Kingdom with respect to British privates soldiers in the matter of railway fares and concessions when going on furlough or any other leave? Are Government prepared to state that there is no racial discrimination in this respect?

**Mr. G. R. F. Tottenham:** (a) A copy of the rules is placed in the Library.

(b) The procedure is not as stated. When proceeding on leave at their own expense Indian soldiers are given an Indian Army form, which they hand over to the railway booking clerk together with the single journey fare. In exchange they receive an ordinary railway ticket for the outward journey and a return journey voucher. When commencing the return journey this voucher is exchanged for an ordinary railway ticket.

(c) No, but the concession referred to in the answer to part (b) is available by mail trains on certain railways.

(d) Does not arise.

(e) Because it is one of the conditions of the concessions.

(f) Government have no information of the incident.

(g) A copy of the rules on the subject is placed on the table.

The only respect in which there is a racial discrimination in the matter of concessions when proceeding on furlough is that the Indian soldier receives free conveyance by rail when proceeding on furlough, while the British private does not.

*Military Traffic Rules, 1932.*

## APPENDIX B.

*List of concessions admissible for Military personnel, etc.*

Serial No.	Persons, etc. eligible.	Circumstances under which concession is admissible.	Authority on which concession should be allowed by the Station Master.	Nature of concession.	Railways over which concession is available by mail.	Railways over which concession is not admissible.	Remarks.
3	Warrant officers of the India unattached list, Indian Medical Department and Royal Indian Marine, N. C. Os. and men of the British Army, Royal Navy and Royal Marine, including men serving in the Army Department and other staff employed and Army School Mistresses.	When travelling on leave at their own expense.	On production of a certificate in Form I. A. F. L. 1180.	*Return ticket in any class available for 8 months on payment of a single fare (mail fare chargeable for 3rd class ticket).	Assam Bengal, Barisal Light, Barisat Light, Basirhat Light, Bengal Provincial, Bombay Trust, Bhubanpur Bihar Light, Calcutta Port Commissioners, Dehra Light, Dholpur State, Dibrugarh State, Dibru Sadiya, Futwarr Islaampur Light.	Arrah, Sasaram Light, Barisat Light, Basirhat Light, Bengal Provincial, Bombay Trust, Bhubanpur Bihar Light, Calcutta Port Commissioners, Dehra Light, Dholpur State, Dibrugarh State, Dibru Sadiya, Futwarr Islaampur Light.	Not applicable to the Warrant Telegraphists and the Gunners recruited from England for service in the R. I. M. for a period of 5 years.

(a) Central Provinces (Muriaza-pur, Ellichpur, Murzapur Yeotmal and Pulgaon Arvi).

(b) North Western Railway, Kalka-Simla Railway, Porbandar State, Rohilkund and Kunnaon, South Indian.

(6) Dhond, Baranasi, Gaekwar's State, Baroda, Gwalior, Light, Howrah, Amts Light, Howrah, Shekhnals Light, Jorhat, Provincial, Madras & Southern Mahratta, <sup>†</sup> Madras Port Trust, Nilgiri Section, H. E. H. the Nizam's State, Shahdara (Delhi) Saharanpur Light.

\* Over the E. B. and E. I. Railways the fares chargeable are the third class ordinary fares.  
 † So far as it applies to Inter-class tickets.



1982

LEGISLATIVE ASSEMBLY.

[21ST NOVR. 1988.

DISABILITY PENSIONS GRANTED TO NON-COMBATANTS.

1112. \*Mr. B. V. Jadhav: (a) Will Government be pleased to place on the table a copy of the rules under which disability pensions are granted to non-combatants when disability is contracted on field service?

(b) Will Government be pleased to inform this House whether the pay received by a non-combatant at the time when the disability was contracted or the pay when he actually retires is taken into consideration when pension is granted?

(c) Will Government be pleased to state whether under rule 289 of pension regulations the amount of disability pension is calculated according to the scale applicable to the combatants, and the relative rank of the non-combatants is determined by the amount of the salary they are getting?

(d) Will Government be pleased to state what disability pension should be granted to A, B and C, who are drawing Rs. 30 per mensem when they contract a disability of 50 per cent. but whose salary when they actually retire is Rs. 155, 215 and 255 respectively?

**Mr. G. R. F. Tottenham:** (a) Disability pensions to non-combatants are granted under paragraph 289 of the Pension Regulations and under Chapter XXXVIII of the Civil Service Regulations. Copies of these Regulations are in the Library.

(b) The attention of the Honourable Member is invited to part (e) of starred question No. 591 which was answered on the 4th September, 1933.

(c) Yes, except that the relative rank of non-combatants is determined by the amount of their pay and not their salary, which includes allowances.

(d) It is not possible to answer this question without knowing the length of service and the average pay for the last three years of the persons concerned. Attention is, however, invited to the answer to starred question No. 592 which was answered on the 4th September, 1933.

ALLEGATIONS BY CERTAIN DECK PASSENGERS AGAINST THE BRITISH INDIA STEAM NAVIGATION COMPANY.

1113. \*Mr. Gaya Prasad Singh: (a) Have Government received a statement [forwarded by me signed by Sree Hari Row, Mrityunjaya Dispensary, Samal Kct. Madras and Southern Mahratta Railway, East Godavari District, and 92 other deck passengers, who travelled to Rangoon on or about the 12th August last on the *S. S. Ellenga* (British India Steam Navigation Company), and returned in the first week of September last on the *Elephanta*] in the course of which it is stated?—

"The deck passengers being mostly illiterate are being treated like dogs. They were exposed to rain or huddled up in the undermost bottom of the ship intended for the storing of goods" and also: "we had for each no adequate space even to sit. The officers of the ship showed no sympathy. They are provided with sufficient space for themselves and they do not mind the inhuman sufferings of third class passengers."

(b) Do Government propose to enquire into this matter and take effective steps to remedy this disgraceful state of affairs?

**The Honourable Sir Joseph Bhore:** (a) Yes.

(b) Enquiries are being made from the local authorities and on receipt of the information a reply will be laid on the table of the House.

**Mr. Gaya Prasad Singh:** May I know if it is intended to call for a report from the gentleman whose address I have given in my question, because on the last occasion no inquiry was made from the persons who were the sufferers?

**The Honourable Sir Joseph Bhore:** We shall consider whether that is necessary or not after receiving the report from the quarter from which I have called for information.

**Mr. B. Das:** May I know if Sir Leslie Hudson who is on the Board of the British India Steam Navigation Company and who is present on the floor of this House takes note of these complaints that come very often before the House and tries to rectify them?

**Mr. President (The Honourable Sir Shanmukham Chetty):** Questions can be addressed to an Honourable Member only in his capacity as a Member of this House.

**Dr. Ziauddin Ahmad:** If the information is laid on the table, will we not be debarred from asking supplementary questions?

**The Honourable Sir Joseph Bhore:** Nothing that I know ever seems to debar my Honourable friend from putting supplementary questions. (Laughter.)

**Dr. Ziauddin Ahmad:** If the answer is laid on the table, we cannot put questions then and there?

**Mr. President (The Honourable Sir Shanmukham Chetty):** The remedy is quite simple. As soon as the answer is laid on the table, Honourable Members can put down questions on the order paper.

**Mr. Amar Nath Dutt:** Or move an Adjournment Motion.

#### REPRESENTATIONS ABOUT THE ENACTMENT OF A LAW LIKE THE PRINCES PROTECTION BILL.

1114. \***Mr. Gaya Prasad Singh:** Will Government be pleased to state if representations have been received from persons in British India, suggesting the enactment of a law like the Princes Protection Bill, now pending in this House? If so, from whom have such representations or suggestions been received and can copies of the correspondence in this connection be laid on the table?

**Mr. H. A. F. Metcalfe:** Government have received such representations but they do not consider it expedient to state from whom and therefore are unable to lay any correspondence in this connection on the table.

**ASSISTANCE GIVEN OR PROMISED TO THE FORMATION OF THE NORTHERN INDIA FLYING CLUB AT LAHORE.**

1115. \***Mr. Gaya Prasad Singh:** Will Government be pleased to state the terms and conditions and the sort of assistance given or promised by them to the formation of the Northern India Flying Club at Lahore?

**The Honourable Sir Frank Noyce:** The following assistance has been afforded by Government to the Northern India Flying Club :

(i) A fixed subsidy of Rs. 10,500 and a bonus at Rs. 100 per pilot trained *ab initio* by the Club and licensed, up to a maximum of Rs. 1,500, during 1933-34.

(ii) The use of the Government of India hanger and other buildings on the aerodrome at Kot Lakhpat (Lahore).

(iii) The Government of India aeroplane VT-ACO has been given on loan to the Club for a period not exceeding four months, with effect from the 1st October, 1933.

(iv) Arrangements are also under negotiation for the use by the Northern India Flying Club of the salvaged parts of aircraft and aircraft engines, the property of the Government of India, which have been handed over by the liquidator of the late Punjab Flying Club, and for the provision on loan to the Club of an aeroplane to be purchased out of the proceeds of an insurance claim relating to one of the Government aeroplanes which was lent to the late Punjab Flying Club.

2. I may add for the information of my Honourable friend that the terms and conditions on which this assistance is being given are similar to those on which assistance has been given to other subsidised flying clubs.

**COMPANIES MANUFACTURING ALUMINIUM UTENSILS IN INDIA.**

1116. \***Mr. B. V. Jadhav:** (a) Will Government be pleased to state whether they are watching the progress of the aluminium utensil industry carried on by the sons of the soil?

(b) Is it a fact that when Imperial Preference was adopted by this House, the four companies manufacturing aluminium utensils were :

- (i) The Aluminium Manufacturing Company Limited;
- (ii) The Jivanlal, Limited;
- (iii) The Latto Aluminium Works; and
- (iv) Jamnadas Brothers?

(c) Is it a fact that No. (iii) of part (b), the Latto Aluminium Works, had to close the factory since then?

(d) Are Government aware that the first company mentioned in part (b), the Aluminium Manufacturing Company, Limited, is owned by four Europeans and two companies, also owned by Europeans, and the six persons between themselves hold all the 6,000 shares?

(e) Are Government aware that No. (ii) of part (b), the Jivanlal, Limited, is a concern with a capital of Rs. 36,00,000, out of which all but only Rs. 100 are owned by the Aluminium Limited of Toronto, Canada, and the remaining Rs. 100 are contributed by Mr. Lawsan Green Bash of Geneva?

(f) Is it a fact that the Aluminium Manufacturing Company Limited and the Jivanlal Limited own factories at Calcutta, Bombay, Rangoon and Madras, where they manufacture aluminium utensils?

(g) Is it a fact that the two firms named in part (f) hold practically the monopoly of supplying aluminium sheets and circles from Britain, Switzerland, Germany, France, Canada and America?

(h) Are Government aware that the Indian manufacturing companies have to depend upon the two foreign companies for their raw material?

(i) Is it a fact that about 85 per cent. of the aluminium utensil trade was in Indian hands about five or six years ago?

(j) Are Government aware that the position has completely changed and that the foreigners are controlling the bulk of the trade?

(k) Are Government aware that the Ottawa concession has not helped the Indian manufacturer?

(l) Are Government aware that the two firms are now trying to kill the Indian firm of Jamna Das Brothers by asking other dealers not to have transactions with Jamna Das Brothers?

(m) Is it the policy of Government to see a national industry wiped out by foreign competition?

(n) Will Government please state what course they intend to pursue?

**The Honourable Sir Joseph Bhore:** The information required to answer this question is being collected and a reply will be laid on the table in due course.

#### ALLEGED INSTRUCTIONS BY GOVERNMENT REGARDING TAKING ACTION IN CONNECTION WITH POLITICAL DISTURBANCES.

1117. \***Mr. Gaya Prasad Singh:** Is it a fact that instructions were issued in about 1920, in which district officers in many cases were ordered not to take action with regard to prominent offenders, but to deal only with the lesser fry responsible for political disturbances and asking district officers not to deal with Mahatma Gandhi? If so, can copies of such instructions or circulars be laid on the table?

**The Honourable Sir Harry Haig:** At the beginning of the non-co-operation movement of 1920 the policy of Government was not to prosecute the leaders merely on the general ground that they were advocating non-co-operation. The policy was stated in a Resolution issued by the Government of India on the 6th November, 1920.

**Mr. Gaya Prasad Singh:** Can I have a copy of that Resolution laid on the table? That is what I meant by my question?

**The Honourable Sir Harry Haig:** I ought to have added that the Resolution is reproduced in full in "India in 1920", to which I would invite my Honourable friend's attention.

**ENQUIRY INTO THE ECONOMIC CONDITION OF THE AGRICULTURISTS AND DECREASE IN PRICE OF PADDY.**

**1118. \*Raja Sir Vasudeva Rajah:** (a) Are Government aware that the price of paddy is going down steadily and is now lower than that in any previous year during the last 35 years?

(b) Are Government aware that in many districts in the Madras Presidency the price of paddy is only about one-third, and even less than one-third of what it was a few years ago?

**Mr. G. S. Bajpai:** (a) Yes.

(b) The price of paddy began to decline in 1929. A statement showing the retail prices in 1929 and 1933 at the chief rice-growing district centres in the Madras Presidency is laid on the table.

*Statement showing retail price of rice in Rupees per maund at the chief rice-growing district centres in the Madras Presidency.*

District.	1929.	1933.
Tanjore . . . . .	6.5	3.0
Trichinopoly . . . . .	7.2	3.3
Tinnovelley . . . . .	5.5	3.4
Coimbatore . . . . .	7.2	3.5
East Godavari . . . . .	6.1	3.5
West Godavari . . . . .	6.0	2.8
Kistna . . . . .	5.9	2.8

**Mr. M. Maswood Ahmad:** Is it a fact that the selling price of rice is less than the cost of production?

**Mr. G. S. Bajpai:** I am not in a position either to confirm or deny that.

**Mr. M. Maswood Ahmad:** Has the Agricultural Research Council considered this question, that nowadays the selling price is less than the cost of production?

**Mr. G. S. Bajpai:** I shall certainly make an inquiry from the Council of Agricultural Research.

**Raja Bahadur G. Krishnamachariar:** Independently also?

**Mr. G. S. Bajpai:** That must be left to the Local Governments

**Mr. M. Maswood Ahmad:** Do Government propose to consult the Tariff Board as to whether the time has come to give protection to rice as well?

**Mr. G. S. Bajpai:** I think questions on that subject have been answered before. So long as there is an export duty on rice, I doubt very much whether protection in the internal market is needed.

**Mr. M. Maswood Ahmad:** Do Government feel any difficulty in asking the Tariff Board whether the time has come to abolish the export duty and to have some import duty on rice?

**Mr. G. S. Bajpai:** The figures of import into this country do not warrant the reference of the question to the Tariff Board.

**Mr. M. Maswood Ahmad:** What is the harm in referring this matter to the Tariff Board? Is there any harm in it?

**Mr. G. S. Bajpai:** The Tariff Board pursues practical and not academic problems.

**Dr. Ziauddin Ahmad:** In view of the fact that the price of rice is one-third of the original price, has the Agricultural Research Council or the Agricultural Department ever made any definite proposals either to the Commerce Department or to the Finance Department for raising the price level of agricultural products?

**Mr. G. S. Bajpai:** I am not aware of proposals having been made either to the Finance Department or to the Commerce Department for raising the internal price level.

**Dr. Ziauddin Ahmad:** Is it not the duty of the Department to take the initiative in this matter?

**Mr. G. S. Bajpai:** The Department of Government here is as helpless as the agricultural department in any other country, because agricultural depression is an international phenomenon and cannot be dealt with by any one department of agriculture.

**Mr. C. S. Ranga Iyer:** Will Government be pleased to consider the idea of summoning a world conference of rice-producing countries as it is an international problem, as suggested by the Honourable gentleman?

**Mr. G. S. Bajpai:** I do not know whether I am competent to speak on that subject. The question probably relates to some other Department of Government, but the experience of the last World Economic Conference is not such as to encourage us to hold such a conference.

**Mr. R. S. Sarma:** Do not the Government view with alarm this dreadful fall in the price of paddy and the consequent depression in agricultural areas?

**Mr. G. S. Bajpai:** The Government of India as also the Local Governments view with great distress and sympathy the general fall in agricultural prices.

**Raja Bahadur G. Krishnamachariar:** Will they consider the question of the reduction in assessment which has already been made and which presses on us so heavily?

**Mr. G. S. Bajpai:** My Honourable friend's suggestion could be more appropriately made in a Provincial Legislature, because land revenue is a provincial subject. I am quite prepared to convey his suggestion to any Local Government which my Honourable friend may have in mind.

**Mr. K. C. Neogy:** With reference to the statement made by my Honourable friend a few moments ago that the Government here was as

helpless as any other Government in the world, may I know whether he has studied what steps, legislative and otherwise, Japan has taken for the purpose of steadyng the internal price of rice?

**Mr. G. S. Bajpai:** I regret that I have not studied the action taken by Japan.

**Mr. T. N. Ramakrishna Reddi:** In view of the fact that Japan is importing rice into this country, will not the Government take steps to impose such duties . . . .

**An Honourable Member:** That is the next question.

**Dr. Ziauddin Ahmad:** Is not the Agricultural Department in a very unfortunate position in this way? Every minor thing connected with agriculture is referred to the Provincial Governments, while major issues such as the rise of prices depend entirely on measures and policies controlled by the Government of India, the monetary policy being one of them?

**Mr. G. S. Bajpai:** So far as the monetary policy of the Government of India is concerned, the Honourable the Finance Member is in a better position to answer that than I am. The Agricultural Department of the Government of India is primarily concerned with promoting research and, to this extent, it is doing its duty.

**Dr. Ziauddin Ahmad:** What is the use of maintaining this Department when the country cannot produce agricultural articles at economic prices?

**Mr. G. S. Bajpai:** My Honourable friend does not suggest it that the present prices are economic prices.

**Mr. M. Maswood Ahmad:** Is it not a fact that Provincial Governments cannot take off the export duty?

**Mr. G. S. Bajpai:** The export duty has been imposed as a central duty.

**Mr. S. C. Mitra:** Will the Honourable Member tell the House what steps his Department, as an Agricultural Department, has taken to remedy the general depression of agricultural prices throughout India, in fact throughout the world?

**Mr. G. S. Bajpai:** The general question of India's participation in any international effort to raise the level of prices was probably considered when India participated in the World Economic Conference.

**Mr. M. Maswood Ahmad:** Will Government be pleased to state how they can be in a position to judge whether the time has come or not to abolish this export duty?

**Mr. G. S. Bajpai:** The question relates not to the abolition of the export duty but to the prices of paddy in Madras.

### IMPORT OF PADDY INTO INDIA BY JAPAN.

**1119. \*Raja Sir Vasudeva Rajah:** (a) Is it a fact that Japan is importing paddy into India and are Government aware that it is creating a further economic depression both in Burma and in India?

(b) Has the attention of Government been drawn by the Burma Indian Chamber of Commerce to this grave situation by representations made recently by them?

(c) Are Government taking any action in the matter? If so, will they be pleased to state what steps are being taken?

**The Honourable Sir Joseph Bhore:** (a) Imports of rice from Japan during the four months July to October, 1938, inclusive, amounted to 66 tons only.

(b) Representations have been received from the Burma Indian Chamber of Commerce.

(c) Government are carefully watching the position.

**Mr. C. S. Ranga Iyer:** Is it a fact that the surplus rice of Siam is being dumped into India?

**The Honourable Sir Joseph Bhore:** That, Sir, is a separate question entirely.

**Mr. C. S. Ranga Iyer:** But it comes under the category of questions relating to the dumping of rice into India from Japan? Siam is generally misunderstood for Japan. Is that not a fact?

**The Honourable Sir Joseph Bhore:** I am sorry, I do not myself confuse Siam with Japan.

**Mr. C. S. Ranga Iyer:** Is there a general misapprehension in the public mind that rice from outside is being dumped and that Siamese or some other rice is taken for Japanese rice?

**The Honourable Sir Joseph Bhore:** In reply to a question which I think stands on the question paper today, I shall be in a position to relieve the minds of Honourable Members even on that point, viz., in regard to the total imports of rice into India. Up to the end of October, 1938, the imports of rice into India were 4,000 tons less this year than during the corresponding period of last year.

**Mr. R. S. Sarma:** Will Government be pleased to state whether they will immediately make inquiries as to the importation into India of Japanese rice since October, 1931, and convey the information to this House at an early date?

**The Honourable Sir Joseph Bhore:** I shall certainly do so, but I have no reason to believe that there has been any very large importation since the 1st November.

**Dr. Ziauddin Ahmad:** May I ask whether Japan has got any export duty on rice, or is there any country in the world foolish enough besides ourselves, to put an export duty on rice?

**The Honourable Sir Joseph Bhore:** My Honourable friend evidently does not remember the answers to questions put by himself or, at any rate, by my Honourable friend, Mr. Maswood Ahmad. I have given information on a previous occasion as to certain countries which did have an export duty on rice.

**Mr. C. S. Ranga Iyer:** Is there a general misapprehension in the public mind, created by something like a forecast by the Japanese Government about the production of rice for the forthcoming year, that there is likely to be an enormous surplus?

**The Honourable Sir Joseph Bhore:** I am not sure that I have myself seen that forecast so that I cannot say, if such a forecast has been made, what its effect has been on the public mind in this country.

**Mr. C. S. Ranga Iyer:** Is the Honourable Member aware that Japan has produced or is likely to produce this year more rice than she has produced in the past and that there has been an enormous production of rice in the Korean side of Japan?

**The Honourable Sir Joseph Bhore:** I think my Honourable friend's suggestion is probably right, namely, that the production of rice in Japan this season will be in excess of the normal.

**Mr. M. Maswood Ahmad:** Is it a fact that the countries which have export duties on rice are all under the British Government?

**The Honourable Sir Joseph Bhore:** No, Sir. I think Siam is one of such countries, and I do not confuse Siam with Burma.

**Mr. Amar Nath Dutt:** Are Government aware of the Press report that about 7,000 tons of rice have been imported into India from Japan recently?

**The Honourable Sir Joseph Bhore:** Sir, as I promised my Honourable friend, Mr. Sarma, I shall certainly make inquiries as to the course of imports of rice into this country since the 1st November, but I have no information which endorses the suggestion put forward in that Press report.

**Mr. R. S. Sarma:** May I inform the Honourable Member that this statement was freely used by Honourable Members in the discussions in the Madras Legislative Council and that it was not contradicted by any Member of the Government?

**The Honourable Sir Joseph Bhore:** I am not aware of that, Sir.

**Mr. Amar Nath Dutt:** And it has been repeated in the *'Indian Economist'* too. |

**Mr. Lalchand Navalrai:** May I know from the Honourable Member as to when, in view of this fact that there has been and is dumping of rice, the negotiations between the Delegates from Japan and the British Delegates will come to a close?

**The Honourable Sir Joseph Bhore:** My Honourable friend takes it for granted that there is dumping. I suggest there is no dumping, judging from the figures that are available.

**Mr. Lalchand Navalrai:** But I want to know the answer to the other part of my question, *viz.*, when are the negotiations going to be closed because there is some misunderstanding outside?

**The Honourable Sir Joseph Bhore:** I thought the second part of my Honourable friend's question depended upon the first, but apparently it does not. So far as the duration of the negotiations is concerned, I regret I am not in a position to give him any information.

**Mr. R. S. Sarma:** Is the Honourable Member aware that a question similar to this was put about a fortnight ago in the House of Commons and that the Secretary of State replied that it was engaging the attention of the Government and of the members of the Japanese Delegation?

**The Honourable Sir Joseph Bhore:** I remember seeing that question, and, as I have already said in reply to a question put to me, the position is being carefully watched by the Government of India. In fact I may give to the House one piece of information and it is this, that on hearing these rumours of impending importations of Japanese rice into this country I informally approached His Excellency the Leader of the Japanese Delegation, and the reply of the Leader was most courteous and most useful and helpful to us.

**Mr. Amar Nath Dutt:** May I know whether the present negotiations with Japan have anything to do with the Government not taking any steps against Japanese rice being imported into this country?

**The Honourable Sir Joseph Bhore:** I cannot say that they directly have, but obviously, when we are attempting to come to a friendly arrangement with a foreign nation, there are strong arguments against taking any action which may create an unfriendly atmosphere.

**Mr. Amar Nath Dutt:** Even if the agriculturist dies of starvation?

**The Honourable Sir Joseph Bhore:** My friend is dealing with a purely hypothetical question.

**Mr. Amar Nath Dutt:** It may be characterised as hypothetical or academic to avoid the real issue, but it is a dire fact.

**The Honourable Sir Joseph Bhore:** My Honourable friend is dealing with the question of imports into this country and, from that point of view, I suggest to him that the facts which are available show that the question which he has raised does not really arise.

**Mr. K. C. Neogy:** With reference to the statement made by my Honourable friend that he had an informal discussion with the Leader of the Japanese Delegation about the export policy of Japan with regard to rice, do I expect the Honourable Member to have a further discussion with the Japanese Delegation for the purpose of finding out exactly how they are meeting the similar situation of low prices of rice in their own country?

**The Honourable Sir Joseph Bhore:** No, Sir. I do not think that is called for.

**Mr. K. C. Neogy:** Do I take it that that would be excluded from the purview of an informal discussion even?

**The Honourable Sir Joseph Bhore:** The Honourable Member must realise that the Government of India are not anxious to invite suggestions from foreign Governments as to how they should deal with matters in their own country.

**Mr. K. C. Neogy:** May I remind the Honourable Member of a confession of helplessness on the part of the Government in this matter, a state of things which could be settled more easily if Government knew what was being done in other parts of the world?

**The Honourable Sir Joseph Bhore:** My Honourable friend is not aware of the fact that the prices in Japan are also extraordinarily low.

**Mr. K. C. Neogy:** Does my Honourable friend get a copy of the *Japanese Trade Bulletin* which is sent regularly to us, and will he look into the latest number? He will find therein ample justification for the statements made on the floor of the House with regard to the policy adopted by Japan in the matter of steadyng the internal prices of rice in that country, and also with regard to the immense surplus which they expect from their own country as also from Korea and other places in the near future.

**The Honourable Sir Joseph Bhore:** I am aware of the fact and that is why I said that the harvest in Japan this year was likely to be so large as to lead to a fall in Japanese prices.

#### UNSTARRED QUESTIONS AND ANSWERS.

##### STARTING OF KILNS AND MANUFACTURE OF BRICKS FOR CONSTRUCTION OF NEW QUARTERS IN NEW DELHI.

163. **Mr. S. G. Jog:** (a) Will Government be pleased to state if in the last tenders invited by the Public Works Department, Delhi, for construction of Government buildings in connection with the re-opening of the New Capital project, there is a clause making it incumbent on Government to give lands of the old Government kilns (now within municipal limits and since being filled up) to the successful contractors free of charge or on nominal charge for starting kilns and manufacturing bricks at their own cost for the aforesaid works?

(b) If the answer to part (a) be in the negative, will Government be pleased to state if they intend to allot such old kiln sites to successful contractors for purposes of manufacturing bricks and by way of financial help to them?

(c) Are Government aware of the fact that the Old and New Delhi Municipalities have by mutual agreement created terminal tax posts at Safdar Janq and near Jungpura and have agreed to divide the proceeds of the realisation of taxation equally?

(d) Are Government aware of the fact that bricks taken inside the municipal limits are charged terminal tax at the rate of annas 8 per thousand bricks and the yearly municipal income from this tax is in the neighbourhood of Rs. 40,000?

(e) In case Government are contemplating giving old kiln sites within municipal limits to contractors for the purpose of manufacturing bricks, will Government be pleased to state if any terminal or other tax of annas 8 per thousand will be charged on these bricks?

(f) Will Government be pleased to state if they have received any representation from the inhabitants of New Delhi area, praying that the lands be not given for purposes of opening kilns?

(g) Will Government be pleased to state if, in order to facilitate the transport of bricks from these kiln sites they intend to relay the Imperial Delhi Light Railway line in the New Capital area? If so, what will be the probable cost of such an undertaking, and do Government propose to realise this cost from the said contractors?

**The Honourable Sir Frank Noyce:** (a) No. I may further mention that the area referred to is not being filled up as is suggested in the question.

(b) Yes, but not as financial help. The object in view is to obtain a good quality of bricks, and to control their supply.

(c) Yes.

(d) Yes.

(e) The lessees of the brick kilns will conform to the regulations of the local Administration.

(f) No. |

(g) The proposal is under consideration, but I am not in a position to give any information at present.

#### CLOSING OF PRIVATE KILNS AFTER COMPLETION OF THE FIRST INSTALMENT OF THE NEW CAPITAL PROJECT.

164. **Mr. S. G. Jog:** Will Government be pleased to state if they are aware of the fact that after the completion of the first instalment of the New Capital project, Government and private kilns situated within the New Delhi area were closed for good in order to avoid mosquito breeding due to collection of rain water in the operated area and in the interest of public health?

**The Honourable Sir Frank Noyce:** No. The kilns were closed down because bricks were no longer needed in large quantities.

#### TRANSPORT OF BRICKS FROM PRIVATE KILNS TO THE WORKS IN NEW DELHI.

165. **Mr. S. G. Jog:** (a) Will Government be pleased to state if they are aware of the fact that a fairly large number of private kilns exist on the outskirts of the New Capital area and along the Delhi-Muthra and Delhi-Qutab roads and that they manufacture bricks to Government specifications, and if they have considered that with the help of the Imperial Delhi Railway those private kilns will be able to supply all Government requirements for the next two or three years?

(b) Will Government be pleased to state if they are aware of the fact that the old Delhi Municipal Committee, in order to have access to the new proposed dumping ground near Okhla propose laying out a line passing near some of these private kilns and also propose purchasing light railway material from the Delhi Public Works Department for the purpose?

(c) Will Government be pleased to state if they are prepared to arrange with the Delhi Municipality for the transport of bricks from the private kilns to the works in New Delhi?

**The Honourable Sir Frank Noyce:** (a) Government have made enquiries and find that the bricks manufactured by the owners of private kilns are of a quality lower than that provided for in the Public Works Department specifications, and are, moreover, not available in large quantities. Apart from these considerations, Government have no intention of opening up their own kilns or of coming to any agreement with the owners of private kilns with regard to the supply of bricks.

(b) Government have no information in the matter. Moreover, light railway material will not now be available for sale.

(c) Does not arise in view of the reply to part (a).

#### OFFER FROM PRIVATE KILN OWNERS FOR SUPPLY OF BRICKS TO GOVERNMENT IN NEW DELHI.

166. **Mr. S. G. Jog:** (a) Will Government be pleased to state if they have received any representations from the contractors to the effect that private kiln owners will have a pool and will raise the rates of bricks, if the old kiln sites are not allotted to them for the purpose of manufacturing bricks for the works secured by them? If so, have Government made any enquiries into the matter?

(b) Will Government be pleased to state if they have received any offer from private kiln owners to the effect that they will supply bricks for the next two or three years at the rates now prevailing? If not, are Government prepared to invite tenders from them to this effect?

**The Honourable Sir Frank Noyce:** (a) Government have received no such representations from contractors. It is, however, understood that the prices of bricks have already been raised owing to the small supply available.

(b) No. As regards the second part of the question, the Honourable Member is referred to my reply to question No. 165 (a).

#### STARTING OF KILNS IN NEW DELHI.

167. **Mr. S. G. Jog:** Will Government be pleased to state, in case the old kiln sites are allotted to the contractors, what will be the cost of re-filling the operated area and how do Government propose to meet this cost?

**The Honourable Sir Frank Noyce:** Government do not expect any increase in the expenditure over that already provided for in the Capital Project, for the reconditioning of this area.

#### STARTING OF KILNS IN NEW DELHI.

168. **Mr. S. G. Jog:** Will Government be pleased to state if before the allotment of these kiln areas to the contractors they propose to consult the Health Officer, New Delhi Municipal Committee, regarding the advisability of re-opening these kilns, keeping in view the consideration of public health?

**The Honourable Sir Frank Noyce:** Such action as may be required by regulations laid down by the local Administration will be taken.

**CERTAIN DEFECTS IN THE QUARTERS FOR MEMBERS OF THE LEGISLATIVE ASSEMBLY IN SIMLA.**

**169. Pandit Satyendra Nath Sen:** (a) Are Government aware that the quarters for Members of this House in Simla are not fitted with ventilators and that the windows are not fitted with iron-bars?

(b) Are Government aware that the necessity for these is keenly felt by the Members?

**The Honourable Sir Frank Noyce:** (a) Some quarters are fitted with ventilators—others are not. No iron bars have been provided in any quarters.

(b) So far there have been no complaints.

**SUB-POST OFFICES CONVERTED INTO BRANCH OFFICES AND BRANCH OFFICES CONVERTED INTO EXTRA-DEPARTMENTAL OFFICES IN THE BENGAL AND ASSAM POSTAL CIRCLE.**

**170. Mr. S. C. Mitra:** Will Government please lay on the table a statement showing the number of:

- (i) departmental sub post offices converted into branch offices; and
- (ii) departmental branch offices converted into extra-departmental branch or sub offices,

in the Bengal and Assam Postal Circle since 1930?

**The Honourable Sir Frank Noyce:** Government regret that the figures since 1930 are not readily available. The latest figures available are those for the period from the 1st February, 1931 to the 31st January, 1933, and are as follows:—

- (i) 3
- (ii) 75

**APPOINTMENTS IN CERTAIN CADRES REDUCED IN THE BENGAL AND ASSAM POSTAL CIRCLE.**

**171. Mr. S. C. Mitra:** Will Government please lay on the table a statement showing the number of appointments reduced in:

- (i) the selection grade,
- (ii) the ordinary time-scale cadre, and
- (iii) the postmen cadre,

in the Bengal and Assam Postal Circle?

**The Honourable Sir Frank Noyce:** Government regret that the information required by the Honourable Member is not readily available and could not be obtained without much time and labour. His attention is however invited to the reply given in this House on the 12th December, 1932, to his unstarred question No. 236.

**STANDARD FOR CALCULATING THE ESTABLISHMENT CHARGES OF EXTRA-DEPARTMENTAL SUB OR BRANCH POST OFFICES.**

**172. Mr. S. C. Mitra:** (a) Is it a fact that Government have fixed a new standard for calculating the establishment charges of extra-departmental sub or branch post offices?

(b) Is it a fact that the standard, if applied, would result in the reduction of allowances of the extra-departmental agents?

(c) Is it a fact that Government's order is that in applying the standard the emolument of an extra-departmental agent should not be reduced by more than ten per cent. of his present allowance, and are Government aware that reductions in some cases have exceeded this limit?

(d) Is it a fact that in some cases, in order to bring about full reduction in allowance, incumbents have been replaced by new recruits?

(e) Is it a fact that Babu Ananta Kumar Roy, the extra-departmental agent, Hatibandha Post Office, Rangpur, Bengal was replaced by a new man to give effect to the new standard?

**The Honourable Sir Frank Noyce:** (a) No. The orders referred to have reference only to the monthly allowances of extra-departmental branch postmasters.

(b) The ~~order~~ may have led to a reduction of allowances in some cases.

(c) The reply to the first part of the question is in the affirmative so far as it relates to persons holding the posts of extra-departmental agents on the date on which the order referred to was issued. As regards the second part, Government have no information.

(d) and (e) Government have no information. Heads of Postal Circles are competent to deal with such cases. If the extra-departmental agent referred to in part (c) considers that he has any grievance, it is open to him to represent the matter through the proper official channel.

#### PROMOTION TO THE LOWEST SELECTION GRADE IN POST OFFICES AND RAILWAY MAIL SERVICE.

173. **Mr. S. C. Mitra:** Is it a fact that promotion to the lowest selection grade, both acting and permanent, in Post Offices and the Railway Mail Service are made from amongst the time-scale men according to seniority?

**The Honourable Sir Frank Noyce:** The fact is not exactly as stated. The promotions referred to are made not merely by virtue of seniority but also after a consideration of the officials' past records and known capabilities, except in short officiating vacancies where promotions are usually made by local arrangements.

#### UNDERTAKING OF HONORARY WORK BY GOVERNMENT SERVANTS.

174. **Mr. S. C. Mitra:** Is it a fact that under Government Servants' Conduct Rules a Government official cannot undertake any honorary work in any unrecognised institution without the previous permission of Government?

**The Honourable Sir Harry Haig:** Rule 15 of the Government Servants' Conduct Rules (a copy of which is in the Library) provides that a Government servant may not, without the previous sanction of the Local Government, engage in any trade or undertake any employment, other than his public duties.

#### UNDERTAKING OF HONORARY WORK BY GOVERNMENT SERVANTS.

175. **Mr. S. C. Mitra:** Are Government aware that many postal employees have undertaken the job of office-bearership of many Associations and Unions not recognised by Government? If so, are Government prepared to take steps to forbid them to do so?

**The Honourable Sir Frank Noyce:** The reply to the first part of the question is in the affirmative. As regards the second part, Government do not propose to take any action against the officials so long as their official duties are not impaired or so long as they do not infringe the Government Servants' Conduct Rules.

#### INTRODUCTION OF FURTHER RETRENCHMENT MEASURES DURING THE CURRENT YEAR.

176. **Mr. S. C. Mitra:** (a) Is it a fact that as a result of retrenchment measures in the Posts and Telegraphs Department effected up till the 31st March, 1933, there has been an annual saving of Rs. 72 lakhs?

(b) Is it a fact that Government are contemplating introduction of further retrenchment measures during the current year?

(c) If so, what will be the net amount of saving by the 31st March, 1934, as a result of these measures?

**The Honourable Sir Frank Noyce:** (a) The annual rate of saving is estimated at about eighty lakhs of rupees, but it will be some time before it is fully effective.

(b) and (c). The search for economy in the expenditure of the Department continues and must continue unabated until its financial position becomes satisfactory, but no specific measures other than those already in operation are at present in contemplation. If, however, the Honourable Member refers to measures of economy suggested in the Report of the Telegraph Establishment Enquiry Committee, 1932-33, which was presided over by Mr. S. P. Varma, his attention is invited to the reply given to Mr. B. N. Misra's starred question No. 844 in this House on the 12th September, 1933. In the circumstances it is not possible to give any estimate of the kind desired by the Honourable Member.

#### SEPARATION OF REVENUE STAMPS FROM THE ORDINARY POSTAL STAMPS.

177. **Mr. S. C. Mitra:** (a) Is it a fact that revenue stamps, which will be separated from the ordinary postal stamps from April, 1934, will be sold through post offices as before?

(b) If so, will any amount be credited to the Posts and Telegraphs Department for the services done through the post offices to the Provincial Governments?

**The Honourable Sir Frank Noyce:** (a) Yes.

(b) No.

#### RECOMMENDATIONS OF THE TELEGRAPH ESTABLISHMENT ENQUIRY COMMITTEE.

178. **Mr. S. C. Mitra:** (a) Is it a fact that the Telegraph Establishment Enquiry Committee under the presidentship of Mr. S. P. Varma, have submitted their report to Government?

(b) Have Government considered all the recommendations made by the Committee?

(c) What is the total amount of saving suggested by the Committee?

(d) Do Government intend to accept those recommendations?

**The Honourable Sir Frank Noyce:** I deal with questions Nos. 178 and 179 together.

Government have received the Report of the Committee, and for particulars of the recommendations in it I would refer the Honourable Member to the copy which is in the Library of the House. Consideration of the Report was deferred as it was thought desirable to await the observations of the representative telegraph staff associations, which have only just been received by the Director-General of Posts and Telegraphs. Government will come to no decision on the recommendations of the Committee until they have been placed in possession of the views of the Director-General.

**RECOMMENDATIONS OF THE TELEGRAPH ESTABLISHMENT ENQUIRY COMMITTEE.**

†179. **Mr. S. C. Mitra:** (a) Is it a fact that the Telegraph Establishment Enquiry Committee have recommended a reduction of 757 Telegraphists?

(b) Do Government intend to accept the recommendation?

(c) If so, do Government propose to give effect to the recommendation by compulsory retirement of officials or by absorbing them in other departments?

**AMOUNT COLLECTED THROUGH AMHERST STREET POST OFFICE, CALCUTTA,  
FOR DELIVERY OF UNPAID LETTERS.**

180. **Mr. S. C. Mitra:** (a) Will Government please place on the table a statement showing month by month, the amount collected through Amherst Street Post Office, Calcutta, during the last one year on account of delivery of unpaid letters?

(b) Is it a fact that the amount collected during January and February, 1933, was abnormally high?

(c) Is it a fact that the permanent postmaster was on leave during that period and another gentleman worked as sub-postmaster?

(d) Is it a fact that the delivery clerks of Amherst Street Post Office who handle the unpaid letters are never changed and the present incumbent has been working as delivery clerk for a very long time?

**The Honourable Sir Frank Noyce:** (a) The amount collected on account of the delivery of unpaid letters from the Amherst Street Town Sub-Office during the last one year was as follows:

	Rs. a. p.
August 1932 . . . . .	234 4 3
September 1932 . . . . .	237 3 6
October 1932 . . . . .	190 12 3
November 1932 . . . . .	226 8 9
December 1932 . . . . .	218 12 9
January 1933 . . . . .	209 4 9
February 1933 . . . . .	236 11 3
March 1933 . . . . .	240 8 9
April 1933 . . . . .	226 5 0
May 1933 . . . . .	229 8 9
June 1933 . . . . .	198 13 6
July 1933 . . . . .	189 12 6
August 1933 . . . . .	236 2 9

(b) and (d) No.

(c) Yes.

\*For answer to this question, see answer to question No. 178.

**ALLOTMENT OF TIME FOR DISPOSAL OF UNREGISTERED ARTICLES IN THE  
BENGAL AND ASSAM POSTAL CIRCLE.**

**181. Mr. S. C. Mitra:** (a) Is it a fact that the Bewoor Time Test Committee allotted time for disposal of unregistered articles, which has undergone a great change owing to the altered system of work and that the Postmaster-General, Bengal and Assam Circle, has recommended three minutes for each article?

(b) If so, will Government please lay on the table a copy of the correspondence that passed between the Director General and the Postmaster-General, Bengal and Assam?

**The Honourable Sir Frank Noyce:** (a) The Honourable Member presumably refers to the time allowance of 2·5 minutes allotted in the Bewoor Time Test for the disposal of each unregistered article consigned to a Dead Letter Office. A suggestion to increase the time allowance referred to was received from the All-India Postal and Railway Mail Service Union. The Postmaster-General, Bengal and Assam, gave an opinion to the effect that the allowance should be increased to 3 minutes. On examination of the question, however, it was decided that no alteration was necessary.

(b) Government are not prepared to lay on the table copies of departmental correspondence.

**ESTABLISHMENT OFFICERS IN THE MECHANICAL DEPARTMENT OF THE  
EAST INDIAN RAILWAY.**

**182. Mr. S. C. Mitra:** (a) How many Establishment Officers are there in the Mechanical Department of the East Indian Railway?

(b) Will Government please state what are the special qualifications required for those posts and whether the present incumbents of the posts possess those qualifications?

(c) Will Government please state what improvements, if any, have been made in the administration of the Department since these posts were created?

(d) Is there any establishment officer in the Electrical Department of the East Indian Railway? If not, why not?

(e) If the answer to part (d) be in the affirmative, will Government please state the special qualifications, if any, for which the present incumbent has been appointed to the post?

(f) Will Government please state the functions of the establishment officers of the Mechanical as well as Electrical Departments of the East Indian Railway?

**Mr. P. R. Rau:** (a) Three.

(b) It is necessary that the officer selected to fill this post should possess full knowledge of the rules and regulations affecting the service conditions of the staff and also possess aptitude for dealing with labour. The reply to the latter part of the question is in the affirmative.

(c) As a result of the employment of these officers better relations now exist between the railway and the workshop staff and the likelihood of any labour troubles has been diminished. This is due to the fact that

every workshop hand is now able to appear before the Employment Officer to complain of any alleged injustice and to obtain information on any matter he does not understand.

(d) No officer is exclusively employed as an Employment Officer in the Electrical Department as conditions do not necessitate this.

(e) Does not arise.

(f) The records of service of workshop employees are maintained under the supervision of Employment Officers who personally investigate complaints from staff regarding non-receipt or short receipt of, provident fund, gratuities, etc. Representations of grievances are carefully enquired into by them, they grant personal interviews to staff daily and promptly settle many minor disputes which would take time to settle by correspondence. They deal with paysheets, increases of pay, compensation under the Workmen's Compensation Act, gratuities, transfers, leave and loan applications and "Waiting Lists" wherein particulars of ex-employees desiring re-engagement are recorded.

#### INDIANISATION OF THE POSTS OF FOREMEN AND ASSISTANT FOREMEN ON THE EAST INDIAN RAILWAY.

183. **Mr. S. C. Mitra:** (a) Will Government please state the number of Foremen and Assistant Foremen employed in the Mechanical as well as Electrical Departments of the East Indian Railway?

(b) Will Government please state how many of those Foremen and Assistant Foremen are natural-born Indians and what arrangements have been made to Indianise these posts?

**Mr. P. R. Rau:** With your permission, Sir, I propose to reply to questions Nos. 183—186 and 188—190 together. All the information in the possession of Government with regard to the composition of staff of the classes mentioned is contained in Mr. Hassan's report. Government do not consider that the collection of the detailed information required which will involve a considerable amount of time and labour will serve any useful purpose.

The present policy of Government with regard to the recruitment of subordinate establishments on the Indian Railways is laid down in the Railway Board's letter No. 2395-E., dated the 23rd May, 1933, a copy of which is already in the Library of the House. The Honourable Member's attention is invited to para. 2 (1) of this letter in which it is clearly laid down that no branch of Railway Service should be reserved for any one class or community and that members of all classes or communities possessing the necessary qualifications should be eligible for appointment to any branch. Instructions have also been issued to the Agents of the State-managed Railways that except in very special cases no covenanted subordinates should in future be recruited from outside India and in cases where it becomes necessary to recruit such employees temporarily, understudies should be appointed so that they may be able to take their places on the expiry of their engagement.

#### PERCENTAGE OF INDIANS EMPLOYED IN THE ELECTRICAL AND MECHANICAL DEPARTMENTS OF THE EAST INDIAN RAILWAY.

+184. **Mr. S. C. Mitra:** Will Government please state what percentage of the natural-born Indians employed in the Electrical and the Mechanical Departments of the East Indian Railway, draw more than Rs. 150 per month as salary?

<sup>†</sup>For answer to this question, see answer to question No. 183.

**PERCENTAGE OF EUROPEANS AND ANGLO-INDIANS EMPLOYED IN THE ELECTRICAL AND MECHANICAL DEPARTMENTS OF THE EAST INDIAN RAILWAY.**

†185. **Mr. S. C. Mitra:** Will Government please state what percentage of the domiciled Europeans and Anglo-Indians employed in the Electrical and the Mechanical Departments of the East Indian Railway draw more than Rs. 150 per month as salary?

**APPRENTICES RECRUITED IN THE JAMALPUR TECHNICAL SCHOOL.**

†186. **Mr. S. C. Mitra:** (a) Will Government please state how many domiciled European and Anglo-Indian, Grade I, apprentices were recruited in the Jamalpur Technical School each year from 1926 to 1933?

(b) Will Government please state the number of natural born Indian, Grade I, apprentices admitted in the Jamalpur Technical School each year from 1926 to 1933?

(c) Will Government please state on what basis domiciled Europeans, Anglo-Indians and natural born Indians are recruited as Grade I apprentices in the East Indian Railway Technical School at Jamalpur?

**PROMOTION TO HIGHER GRADES OF MECHANICS IN THE MECHANICAL AND ELECTRICAL DEPARTMENTS OF THE EAST INDIAN RAILWAY.**

187. **Mr. S. C. Mitra:** (a) Will Government please state whether any system of departmental examination exists for promotion to higher grades of Mechanics in the Mechanical and Electrical Departments of the East Indian Railway? If not, why not?

(b) Is it a fact that an employee may at any time be disqualified for promotion to the higher grade by his superior officer in the Mechanical and Electrical Departments of the East Indian Railway?

**Mr. P. R. Rau:** (a) No. The Agent reports that promotions to higher grades are made after due consideration of seniority, ability and service record and that the necessity for an examination has not so far arisen.

(b) It is obvious that his superior officer's opinion as to the employee's merits must carry weight.

**FIREMEN EMPLOYED IN THE OPERATING LOCOMOTIVE DEPARTMENT OF THE EAST INDIAN RAILWAY.**

†188. **Mr. S. C. Mitra:** (a) Will Government please state how many educated natural-born Indians are at present employed as firemen in the Operating Loco. Department of the East Indian Railway?

(b) Will Government please state the different scales of pay for existing firemen in the Operating Loco. Department of the East Indian Railway?

(c) Will Government please state the number of Indian, Anglo-Indian and domiciled European firemen employed in each scale?

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\*For answer to this question, see answer to question No. 183.

(d) Will Government please state the qualifications required for appointment as firemen in each scale?

(e) Will Government please state how many educated Indians, employed in the higher scale, are working as independent firemen on the foot plates of engines and (i) what are the numbers of their years of employment; (ii) how many of them have qualified themselves as shunters, having passed the departmental examination; (iii) for how many years have they been waiting for promotion as shunters and why?

(f) Will Government please state how many Anglo-Indian and domiciled European firemen are at present employed in the higher scale in the Operating Loco. Department of the East Indian Railway?

#### SHUNTERS EMPLOYED IN THE OPERATING DEPARTMENT OF THE EAST INDIAN RAILWAY.

†189. **Mr. S. C. Mitra:** Will Government please state the number of educated Indian, Anglo-Indian and domiciled European shunters employed in the Operating Department of the East Indian Railway?

#### DRIVERS EMPLOYED IN HIGHER GRADES IN THE OPERATING DEPARTMENT OF THE EAST INDIAN RAILWAY.

†190. **Mr. S. C. Mitra:** (a) How many educated Indians, Anglo-Indians and domiciled Europeans are at present employed in the higher grade as drivers in the Operating Department of the East Indian Railway?

(b) Is there any educated Indian employed as a mail engine driver in the East Indian Railway?

#### RUNNING ROOMS FOR DRIVERS, FIREMEN, ETC., ON THE EAST INDIAN RAILWAY.

191. **Mr. S. C. Mitra:** (a) Is it a fact that there are only two types of running rooms for drivers, firemen, etc., on the East Indian Railway, one termed as rest house for Europeans and Anglo-Indians, and the other termed as Indian drivers' rest room?

(b) Have arrangements been made to accommodate the educated Indian firemen and drivers in the rest houses? If so, what?

(c) Are Government aware that the present running rooms for Indian drivers are not suitable for educated Indians?

(d) Is there any objection to allow the educated Indians, used to European mode of living, in the European rest houses?

(e) Is it a fact that certain communities, such as Parsees and Muhammadans, are allowed to rest in the European running rooms while the Hindus (even if of liberal views) are denied this privilege on the East Indian Railway?

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<sup>†</sup>For answer to this question, see answer to question No. 183.

**Mr. P. R. Rau:** The Agent, East Indian Railway, reports that Running Rooms for drivers, firemen, etc., have been built from time to time according to the standard designs in force at the time of construction. In some cases existing buildings with minor alterations have been utilised for this purpose. Government are informed that Indian drivers and firemen, are permitted to use all Running Rooms intended for drivers of their grades and that there is no special discrimination against Hindus in this respect. No special arrangements have been found necessary for providing special accommodation on the basis of education for Indian drivers and firemen.

**EMPLOYMENT OF COOLIES FOR CARRYING THE BOXES OF EUROPEAN AND  
ANGLO-INDIAN DRIVERS ON THE EAST INDIAN RAILWAY.**

192. **Mr. S. C. Mitra:** Is it a fact that to carry the boxes of European and Anglo-Indian drivers, coolies are employed by the East Indian Railway administration, whereas no such privilege is allowed to the Indian drivers?

**Mr. P. R. Rau:** The Railway Board are in communication with the Agent on the subject, and I shall place a reply on the table later on.

**INDIANISATION OF THE POSTS OF ASSISTANT RUNNING SHED FOREMEN,  
RUNNING SHED FOREMEN AND POWER TRANSPORTATION INSPECTORS  
ON THE EAST INDIAN RAILWAY.**

193. **Mr. S. C. Mitra:** (a) How many natural born Indians are employed as Assistant Running Shed Foremen and Running Shed Foremen in the East Indian Railway?

(b) Is there any Indian employed as Power Transportation Inspector in the East Indian Railway?

(c) What are the special qualifications required for these posts and what arrangements, if any, have been made to Indianise these posts?

**Mr. P. R. Rau:** (a) None.

(b) No.

(c) The qualifications required are a good knowledge of the mechanism and repair of locomotives and of the work performed by drivers and firemen in addition to the qualifications required of all supervising staff, viz., energy, organizing and controlling ability and tact in dealing with the staff. The vacancies in these posts are filled by promotion from amongst drivers, grades I, II and III and fitters, grades I and II. Amongst these there is at present only one Indian and this is reported to be due to the fact that at present the Indian drivers and fitters are not generally qualified for these posts from an educational point of view.

**CLASSIFICATION OF CIVIL DISOBEDIENCE PRISONERS.**

194. **Mr. S. C. Mitra:** (a) Is there any change in the policy of Government in the matter of classification of Civil Disobedience prisoners?

(b) Is it the duty of a trying magistrate to ask the Civil Disobedience convicts whether they want to put forth any claim for a higher class?

(c) Is it the policy of Government to place the Civil Disobedience convicts in the class of prisoners which such convicts ask for or to place them in the class which they deserve according to the classification rules? If the former, why were not Mahatma Gandhi, and other Civil Disobedience

convicts placed in the lowest class for which they requested the trying magistrate?

(d) Do Government make any distinction between the status of a husband and his wife in the matter of classification?

**The Honourable Sir Harry Haig:** (a) to (d). Prisoners convicted in connection with the Civil Disobedience Movement are classified under the ordinary rules, and there has been no change of policy in this matter. Classification in each case is a matter for decision by the courts in the first instance, and is subject to revision by the Local Government.

#### INSUFFICIENCY OF CLOTHES PROVIDED FOR PRISONERS IN THE AJMER JAIL.

195. **Mr. S. C. Mitra:** (a) Will Government please refer to the reply of Sir Evelyn Howell to question No. 998 of 29th March, 1932, regarding the giving of two pairs of *jangias* to each prisoner and inform the House if the prisoners have still to remain naked while they wash their only *jangia* and shirt even in the severe cold?

(b) Do Government still propose to continue this practice?

**Mr. H. A. F. Metcalfe:** (a) Each prisoner is now supplied with two *jangias* and two shirts.

(b) Does not arise.

#### APPOINTMENT OF DIWAN BAHADUR HARBILAS SARDA AS A NON-OFFICIAL JAIL VISITOR IN AJMER.

196. **Mr. S. C. Mitra:** (a) Are Government aware that Mr. D. H. Vakil, a non-official jail visitor, left Ajmer about a year ago and that none has yet been appointed in his place?

(b) Do Government propose to appoint Diwan Bahadur Harbilas Sarda in the vacancy so caused?

**Mr. H. A. F. Metcalfe:** (a) Mr. Vakil left Ajmer at the end of March, 1933, but has not been away continuously and visited the jail in July, 1933.

(b) Does not arise.

#### LACK OF PROPER ARRANGEMENTS FOR INTERVIEWS IN THE AJMER CENTRAL JAIL.

197. **Mr. S. C. Mitra:** (a) Are Government aware of the fact that there are no proper arrangements for interviews in the Ajmer Central Jail and that ladies and gentlemen have to remain standing in the sun or rain while interviewing the political prisoners?

(b) Do Government propose to make the necessary arrangements?

(c) Is it a fact that Srimati Shakuntala Devi Garg fainted on the night of the 4th September, 1933, and that she is also suffering from anaemia?

(d) Is it a fact that Sm. Urmila Devi is enceinte, and that on the night of the 4th September, 1933, her condition was serious?

(e) Is it not a fact that no special provision for diet, etc., has been made even in cases of persons in such delicate health?

(f) Have Government any objection if fruits, milk and other nourishment are provided to these ladies at their expense?

(g) Do Government object to outside medical aid?

**Mr. H. A. F. Metcalfe:** (a) A special room for interviews was constructed two years ago. Persons interviewing prisoners do not have to remain standing in the sun or rain.

(b) Does not arise.

(c) The answer is in the affirmative except that the prisoner fainted on the morning and not on the night of the 4th September.

(d) Srimati Urmila Devi's condition was not serious on the night of the 4th September, 1938.

(e) The answer is in the negative.

(f) 'C' class prisoners are not permitted to supplement their diet from outside except on medical grounds.

(g) Government provide fully qualified medical officers.

#### CLASSIFICATION OF CIVIL DISOBEDIENCE PRISONERS OF AJMER.

198. **Mr. S. C. Mitra:** (a) Is it a fact that the Commissioner of Ajmer-Merwara as usual asked the Superintendent of the Ajmer Central Prison, and the Superintendent of Ajmer-Merwara Police for their recommendations regarding the classification of Civil Disobedience prisoners of Ajmer sentenced on the 9th August, 1938?

(b) Is it a fact that both of them recommended superior class treatment for most of the lady Civil Disobedience prisoners?

(c) Is it a fact that some of these ladies had been placed in the "A" class on previous occasion?

(d) Is it not a fact that the husbands of some of these ladies were placed in the "A" class on more than one occasion?

(e) Is it not a fact that enquiry was made by the Superintendent of the Jail and the Superintendent of Police in regard to these ladies with others, and they were considered as fit for superior classes, and that they are still in the "C" class?

(f) If the answer to part (e) be in the affirmative, will Government please explain why it is so?

(g) Is it a fact that these ladies were given "C" class simply or mainly because they expressed their desire to be placed in the ordinary class?

**Mr. H. A. F. Metcalfe:** The answers to parts (a) to (e) are in the affirmative.

(f) and (g). The prisoners were placed, and are being retained in class 'C' at their own express desire.

#### DIET GIVEN TO NURSING MOTHERS CONVICTED DURING THE CIVIL DISOBEDIENCE MOVEMENT AT AJMER.

199. **Mr. S. C. Mitra:** (a) Is it a fact that out of 19 ladies recently convicted at Ajmer in connection with the Civil Disobedience Movement 12 have got small children in their bosom and that some of them are nursing mothers?

(b) Is it not a fact that even the nursing mothers are given the same diet as the ordinary convicts get?

**Mr. H. A. F. Metcalfe:** (a) The answer to the first part is in the affirmative and to the second part in the negative.

(b) The answer is in the negative.

**CHANNEL OF PROMOTION TO THE NEXT HIGHER GRADE FOR HEAD TRAINS CLERKS ON THE EAST INDIAN RAILWAY.**

200. **Rai Bahadur Lala Brij Kishore:** Will Government be pleased to state what is the normal channel of promotion to the next higher grade for Head Trains Clerks in the grade of Rs. 110 on the East Indian Railway?

**Mr. P. R. Rau:** Government have no information.

**DISABILITIES OF THE OLD OUDH AND ROHILKUND RAILWAY STAFF FOR PROMOTION TO NEXT HIGHER GRADES.**

201. **Rai Bahadur Lala Brij Kishore:** Will Government be pleased to state if the old Oudh and Rohilkund Railway staff working on the old East Indian Railway section, are not entitled to be fitted into the old Oudh and Rohilkund Railway staff grades on promotion to next higher grades? If so, why are they fitted in the lower East Indian Railway grades in force over the section? If so, are Government prepared to do away with this practice?

**Mr. P. R. Rau:** It is not a fact that the old Oudh and Rohilkund Railway staff, working on the old East Indian Railway section, are not entitled to be fitted into the old Oudh and Rohilkund Railway grades on promotion and are compelled to accept lower East Indian Railway grades in force over the section. The practice in force on the East Indian Railway is that if a man of the (old) East Indian Railway is transferred to a station on the (old) Oudh and Rohilkund Railway, he receives his old scales of pay and allowances or the (old) Oudh and Rohilkund Railway scales of pay and allowances, whichever is better. Similarly if an (old) Oudh and Rohilkund Railway man is transferred to a station on the East Indian Railway, he receives the (old) Oudh and Rohilkund Railway scales of pay and allowances or the (old) East Indian Railway scales of pay and allowances, whichever is better.

**FATWA GIVEN BY SOME ULEMAS OF DELHI ON THE FILM ENTITLED THE *INSAN YA SHAITAN*.**

202. **Mr. M. Maswood Ahmad:** (a) Is it a fact that the Ulema-i-Delhi, consisting of Maulvi Muhammad Mazharullah, Mufti Muhammad Kifaitullah, Maulvi Sultan Mahmood, Maulvi Muhammad Ishaq gave a unanimous *fatwa* on the sacrilegious film entitled the *Insan ya Shaitan*, which was published in Delhi on the afternoon of the 1st of September?

(b) Is it a fact that a poster containing the *fatwa* was delivered to Mr. F. B. Pool, the officiating Deputy Commissioner of Delhi on the evening of the 1st of September, 1933?

(c) Is it a fact that Maulvi Mufti Vilait Ahmad, Maulvi Abdul Majid, Secretary, Majlis-i-Ihrar and Nazim-i-Jamait-i-Ulema-Suba, Imam Ashraf Ali, Doctor Noor Ahmad, Secretary and Ghazi Muhammad Usman, President, Jamiat-i-Shabban-ul-Muslimin, and Mr. Gul-z-i-bagh Ahmad waited upon Mr. F. B. Pool, officiating District Magistrate and requested him to suspend the show of the film as it was sacrilegious and highly injured the feelings of the Mussalmans?

(d) Is it a fact that Mr. Pool promised to take immediate steps in the matter on the very day (Sunday the 3rd of September, 1933)?

(e) Is it a fact that the film *Insan ya Shaitan* was not ordered to be stopped, and finished its 15 days' course on Thursday, the 7th September, 1938?

(f) Will Government please state the reasons as to why the film continued to be shown regularly upto the 7th September, 1938, after the religious authorities had waited upon and requested the Deputy Commissioner to stop it forthwith?

(g) Is it a fact that the said Magistrate expressed his opinion that the said film was a moral one and the religious authority of the Ulema was null and void?

**The Honourable Sir Harry Haig:** (a) Yes.

(b) A poster containing the *fatwa* was delivered to Mr. Pool on the 3rd September.

(c), (d) and (e). Yes.

(f) The facts are that Mr. Pool arranged for the film to be viewed by a few Muslim officials as requested by the deputation. This was done on the 3rd September by the City Magistrate and two Deputy Superintendents of Police, who reported on the following day that the film was not objectionable. Orders were passed the same day to the effect that no action was necessary.

(g) No.

#### ENTRUSTING OF RESEARCH WORK IN PISCICULTURE TO THE IMPERIAL COUNCIL OF AGRICULTURAL RESEARCH.

**203. Mr. B. V. Jadhav:** (a) Will Government be pleased to state which of the provinces maintain a fisheries department?

(b) Will Government be pleased to say whether they have carried on research in pisciculture and what steps they are taking to continue it?

(c) Will Government be pleased to state whether they have got any experts in the Zoological Survey Department capable of carrying on work in pisciculture and what work they have been doing at present?

(d) Have Government considered the advisability of entrusting the work of research in pisciculture to the Imperial Council of Agricultural Research?

**Mr. G. S. Baipai:** (a) Madras alone of all the provinces maintains a separate Fisheries Department, while Bihar and Orissa and Bombay have a Fisheries section under their respective Industries Departments. In the Punjab the administration of fisheries is carried on by a Fisheries Research Officer and in Burma by Deputy Commissioners who are in some districts assisted by special Fishery officers.

(b) Research in pisciculture has been carried on in Madras and the Punjab, and on a smaller scale in Bengal, Bihar and Orissa, and the United Provinces. Necessary steps are being taken by the Governments of Madras and the Punjab to continue such research.

(c) Yes. The work of all the officers of the Geological Survey on the aquatic fauna of India has a direct bearing on piscicultural problems and includes the conservation and classification of collections and the supplying of information to interested parties with reference to pisciculture and other subjects. As opportunities offer they carry out survey work on the distribution and bionomics of Indian fauna.

(d) To the extent to which it can be legitimately included under the term agricultural and veterinary research, rural pisciculture is already within the scope of the operations of the Imperial Council of Agricultural Research. In fact a scheme of research in rural pisciculture received from the Government of Madras is now under the consideration of the Council.

The Government of India have not considered the question of inviting the Council to extend its activities to the fishing industry in general.

#### **EXTERNMENT ORDER SERVED ON ONE ROSHAN LAL GUPTA OF DELHI.**

**204. Mr. S. G. Jog:** Will Government be pleased to state:

- (a) whether one Roshan Lal Gupta, son of Lala Ramanand Gupta, a student of the Hindu College, Delhi, was served with an externment order, on or about the 26th February, 1933, by the Chief Commissioner of Delhi to leave Delhi within 24 hours;
- (b) whether the said student submitted an application stating that the order would interfere with the prosecution of his studies and that he was surprised that orders were issued against him as he had never taken interest in the political movement?
- (c) whether the Chief Commissioner subsequently allowed him to return to Delhi between the 8th and the 29th April, 1933, to enable him to sit for his Intermediate examination, and the said student failed at the examination;
- (d) whether the Chief Commissioner refused to give him further extension of the permission to prosecute his studies in Delhi;
- (e) if the answers to parts (a) to (d) be in the affirmative, whether they are prepared to order an enquiry in view of his assertion of innocence?

**The Honourable Sir Harry Haig:** (a) to (d). The answers are in the affirmative.

(e) Government are satisfied that there are good reasons for the action taken, I may add that Roshan Lal Gupta belongs to the Hissar District in the Punjab and not to Delhi.

#### **STOPPAGE OF INCREMENTS OF CERTAIN CLERKS IN THE ACCOUNTS DEPARTMENT, EAST INDIAN RAILWAY.**

**205. Mr. Bhuput Sing:** (a) Will Government be pleased to state whether the ordinary grade increments of a certain number of clerks in the Accounts Department, East Indian Railway, have been held up on the plea that they were irregularly fixed up in the new scale grade III from 1st October, 1926, due to their pay being charged against lump sum grant in the years 1926 to 1928? If so, will they please place on the table a statement showing the amount of the lump sum grant and the names of those clerks whose pay was charged against such grant, with their rates of pay and dates of appointment?

(b) Is there any official order to charge the pay of such men against the temporary grant? If so, will Government please furnish a copy of the order?

(c) Is it a fact that in some cases proper increments earned by men in the old East Indian Railway grade were not granted at the time of the fixation of their pay into the new scale? If not, why not?

(d) Are Government aware of the difficulties and hardships to which the clerks mentioned above have been put to on account of the sudden and unexpected stoppage of their increments after a lapse of about five years? If so, what steps do Government propose to take in order to remove their hardships?

**Mr. P. R. Rau:** (a) The pay of certain clerks in the office of the Chief Accounts Officer, East Indian Railway was refixed incorrectly in 1932 with retrospective effect and when the mistake was discovered the question of fixing the pay in accordance with rules was taken up and pending a decision of the question further increments were not allowed.

(b) Accounts Officers have been given discretion to entertain staff temporarily within limits.

(c) I am afraid I cannot give a definite reply to this question without making a laborious investigation into ancient history which seems unnecessary in view of my reply to the next part of this question.

(d) Orders have recently been passed regarding the manner in which their pay should be fixed which it is believed will remove any legitimate grievance.

#### RULES REGULATING THE APPOINTMENTS OF INSPECTORS OF POST OFFICES AND RAILWAY MAIL SERVICE AND HEAD CLERKS OF SUPERINTENDENT'S OFFICES.

**206. Mr. S. C. Mitra:** (a) Will Government be pleased to state whether any changes have been made in the rules regulating the appointments to posts of Inspectors of Post Offices, or Railway Mail Service, or Head Clerks of Superintendent's offices, since 1916?

(b) Before 1916 were such appointments made according to seniority, efficiency and educational qualifications?

(c) What changes have been made since 1916?

(d) Was any examination for selecting candidates to those posts held in 1916, or after that? If so, when and how many times?

(e) Was any change introduced in 1927? If so, why?

(f) Was any such examination held after 1921? If not, what would be the position of those officials who are fit for the posts?

(g) Do Government propose to consider the cases of those who have already completed 35 years of age or are about to complete that age and who find themselves unable to sit for any examination in order to possess the necessary qualifications for promotion to the posts of Inspectors of Post Offices and Head Clerks to the Superintendents?

(h) Do Government propose to make the examination open to all, irrespective of age?

**The Honourable Sir Frank Noyce:** (a) The reply is in the affirmative.

(b) The facts are substantially as stated by the Honourable Member.

(c) In 1916 a departmental examination was introduced as the method of selecting men to fill the posts of Inspectors of post offices and Head Clerks to Superintendents of post offices and this system was subsequently extended to the posts of Inspectors, Railway Mail Service. It still continues though there have been changes in detail from time to time.

(d) The reply to the first part is in the affirmative. As regards the second part, Government regret that precise information is not readily available.

(e) Yes. From the 1st September, 1927, the pay of the posts referred to in the reply to part (c), as well as of non-gazetted posts in the general line of the Post Office and Railway Mail Service carrying a scale of pay higher than the ordinary clerical time-scales, was revised and a new selection grade of Rs. 160—10—250 for all these classes of posts was created. A new departmental examination for promotion to all posts included in this new selection grade was also introduced. In 1928 it was decided to abolish the separate cadre of Inspectors and to form a combined cadre of all officials in the Inspectors' and general lines in the new selection grade just mentioned. But owing to certain practical difficulties disclosed by experience the new departmental examination mentioned above had to be abolished in March, 1932, and the former system of maintaining a separate cadre for officials in the Inspectors' line and of making appointments to that cadre by means of a separate departmental examination, was reverted to.

(f) Yes. The latter part does not arise.

(g) and (h). The reply is in the negative.

#### FILLING UP OF VACANCIES IN THE GAZETTED RANKS IN THE POST OFFICES.

207. **Mr. S. C. Mitra:** Is it a fact that certain vacancies in the gazetted rank in the Post Offices have recently been filled up? If so, do Government propose to take steps to fill up the vacancies in the non-gazetted selection grade also? If not, why not?

**The Honourable Sir Frank Noyce:** If by filling up vacancies the Honourable Member means filling up vacancies permanently instead of in an officiating capacity, the reply to the first part is in the affirmative, and to the second in the negative. As regards the last part, the Honourable Member's attention is invited to the reply given to part (d) of Mr. S. G. Jog's starred question No. 728 in this House on the 7th September, last.

#### FILLING UP OF VACANCIES OF STAMP-VENDORS IN THE CALCUTTA GENERAL POST OFFICE AND TOWN SUB-OFFICES.

208. **Mr. S. C. Mitra:** (a) Is it a fact that the selling of stamps in Calcutta General Post Office and Town Sub-Offices will not be given in contract at present?

(b) Is it a fact that this postponement is due to the fact that the contractor, whose tender was accepted, is unwilling to undertake the job?

(c) Is it a fact that a number of vacancies are kept unfilled in Calcutta General Post Office to provide the stamp-vendors after the stamp selling is given in contract?

(d) Do Government propose to take early steps to fill up those vacancies by the approved candidates and the passed postmen?

**The Honourable Sir Frank Noyce:** (a) and (b). No. The contractor took up the work on the 16th November, 1933, some delay having occurred due to the settlement of details relating to the work and the training of the staff to be employed on it by the contractor.

(c) The vacancies referred to have been filled by qualified departmental stamp-vendors who would otherwise have been thrown out of employment.

(d) Does not arise.

#### LOCOMOTIVE ENGINES PURCHASED FOR STATE AND COMPANY-MANAGED RAILWAYS.

209. **Mr. K. P. Thampan:** Will Government be pleased to state the number of locomotive engines purchased during the last ten years for the State and Company-managed Railways in India and their respective costs?

**Mr. P. R. Rau:** During the past 10 years the State-managed Railways have purchased about 500 locomotives at a cost of about 8 crores of rupees and Company-managed Railways about 750 locomotives at a cost of about 6½ crores of rupees.

#### RAILWAY WORKSHOPS IN INDIA MAKING BOILERS AND SPARE PARTS FOR LOCOMOTIVE ENGINES.

210. **Mr. K. P. Thampan:** (a) Will Government be pleased to state which of the Railway Administrations in India have got workshops that can make boilers and spare parts for locomotive engines?

(b) Are there any workshops which with a little more outlay could be improved so as to undertake the manufacture of locomotive engines? If so, will Government be pleased to state their names and what will be the required amounts?

(c) What will be the approximate cost of starting a new workshop with all the latest equipments for the manufacture of locomotive engines at a suitable place in India?

**Mr. P. R. Rau:** (a) The only workshops which undertake the construction of locomotive boilers are the Bombay, Baroda and Central India Railway at Ajmer. The manufacture of spare parts for locomotives is undertaken by all Railway Administrations in their main workshops.

(b) The layout of existing workshops is not suitable for the economic construction of locomotives.

(c) It is estimated that a shop with a capacity of 50 locomotives and 50 spare boilers per annum will cost very roughly between 80 lakhs and a crore at present prices.

### CLERKS IN THE MILITARY ENGINEERING SERVICES.

**211. Mr. Lalchand Navalrai:** (b) Will Government be pleased to state the number of temporary and permanent clerks in the Military Engineering Services?

(b) When was the permanent cadre of the clerical establishment last increased?

(c) What was the number of temporary and permanent clerks before the increase of the above cadre?

(d) Why can all or majority of the clerical establishment not be brought on permanent cadre?

**Mr. G. R. F. Tottenham:** (a) There are now 488 permanent and some 539 temporary clerks.

(b) On 1st April, 1925.

(c) Before 1st April, 1925, there were 290 permanent and some 600 temporary clerks.

(d) Because the number of temporary clerks employed at any time depends on the work then in hand, and this factor is constantly varying.

### ENJOYMENT OF THE PRIVILEGES OF A PERMANENT INCUMBENT BY A TEMPORARY CLERK OF THE MILITARY ENGINEERING SERVICES.

**212. Mr. Lalchand Navalrai:** (a) Is it a fact that a temporary clerk in the Military Engineering Services enjoys the same privileges as regards annual increments and privilege leave as a permanent clerk?

(b) Is it a fact that it takes a temporary clerk several years to be brought on to the permanent establishment and that he has to revert to the minimum pay of his grade, viz., Rs. 50 per mensem irrespective of the pay he is drawing at the time of such confirmation?

(c) Is it a fact that on becoming permanent a temporary clerk in the Military Engineering Services is not allowed to count his continuous regular service towards increment and pension? If so, why are temporary clerks in the Military Engineering Services subjected to such rules?

(d) Is it a fact that in the year 1925 several temporary clerks were brought on to the permanent establishment and allowed (i) to draw 75 per cent. of the pay being drawn by them as temporary clerks and (ii) to count their temporary service towards pension?

(e) Is it a fact that this concession was not extended to other temporary clerks who became permanent after 1925? If so, why?

**Mr. G. R. F. Tottenham:** (a) Yes, but the grant of privilege leave to temporary clerks is subject to the provisions of article 242 of the C. S. R.

(b). Yes.

(c) The answer to the first question is in the affirmative. The clerks concerned are governed by the general rule that only substantive service on a permanent establishment will qualify for pension and increment.

(d) and (e). The concessions were granted to those temporary clerks who came within the purview of article 370 of the C. S. R.

## MOTIONS FOR ADJOURNMENT.

SECRETARY OF STATE FOR INDIA'S EVIDENCE, BEFORE THE JOINT PARLIAMENTARY COMMITTEE *re* INDIA'S RIGHT OF RETALIATION IN HER RELATIONSHIP WITH THE DOMINIONS OF THE BRITISH EMPIRE.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Order, order: 12 NOON. I have received a notice from Mr. B. Das that he proposes to ask for leave to make a motion for the adjournment of the business of the House today for the purpose of discussing a definite matter of urgent public importance as follows:

"The evidence tendered by the Secretary of State for India before the Joint Committee in London on November 7th, denying India the right of retaliation in her relationship with the Dominions of the British Empire."

I have to inquire whether any Honourable Member has any objection to this motion.

**The Honourable Sir Brojendra Mitter** (Leader of the House): Sir. I have no objection to the motion being moved, but I would ask you to postpone the consideration of this motion to a later date in view of the fact that we have not got full materials to go upon. We have only got some scrappy telegraphic summaries from London. We are taking steps to get a full report of the Secretary of State's evidence, which we expect will be available shortly. The discussion will be more satisfactory when we have got those materials.

**Mr. President** (The Honourable Sir Shanmukham Chetty): If the Honourable Member, Mr. B. Das, has no objection, the Chair would have no objection to postpone the discussion of this matter. If a further notice of this motion is given on any day before the end of next week, the Chair will waive the objection on the ground of urgency. The Chair agrees to postpone the motion, because the House can more usefully discuss this motion when more material is available.

**Mr. K. C. Neogy** (Dacca Division: Non-Muhammadan Rural): May I have your leave, Sir, just to say a few words. In view of the request made by the Government which you accepted for the adjournment of the consideration of this motion, must it necessarily come up as a motion for adjournment on a future day? Could we not expect the Government to set apart at least a part of an official day for the purpose of discussing it as a substantive kind of a motion?

**Mr. President** (The Honourable Sir Shanmukham Chetty): We are just concerned with the notice of the motion for adjournment given by the Honourable Mr. B. Das. So far as the Chair is concerned, it has announced that it will waive objection on the ground of urgency if it is moved at a later date. It will now be for Honourable Members to discuss the matter with the Leader of the Government later on and come to a decision.

**Mr. K. C. Neogy**: I was merely making an appeal to the Leader of the House through you, Sir.

**Mr. President** (The Honourable Sir Shanmukham Chetty): That is a matter for private discussion.

**Mr. Lalchand Navalrai** (Sind: Non-Muhammadan Rural): On a point of information, Sir. Is it necessary, when the consideration of this motion for adjournment is adjourned, that a fresh notice should be given by the Honourable Member concerned?

**Mr. President** (The Honourable Sir Shanmukham Chetty): I have said that if the Honourable Member gives fresh notice of this motion on any day before the end of next week, the Chair will waive the objection on the ground of urgency.

**Mr. Lalchand Navalrai**: So, notice is necessary.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Yes, it is necessary.

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#### DUMPING OF JAPANESE RICE IN THE INDIAN MARKET.

**Mr. President** (The Honourable Sir Shanmukhan Chetty): I have also received two notices—one from Mr. Amar Nath Dutt and the other from Mr. R. S. Sarma—relating to the same subject. Do I understand that Mr. Amar Nath Dutt is prepared to allow the Honourable Member (Mr. Sarma) to make his motion?

**Mr. Amar Nath Dutt** (Burdwan Division: Non-Muhammadan Rural): Yes, Sir.

**Mr. President** (The Honourable Sir Shanmukham Chetty): I have received a notice from Mr. Sarma that he proposes to ask for leave to move a motion for the adjournment of the business of the House today for the purpose of discussing a definite matter of urgent public importance, namely, the dumping of Japanese rice in the Indian market, thereby aggravating the already acute distress among agriculturists in this country. Before I inquire whether any Honourable Member has any objection to this motion, I would like to be satisfied that this motion is in order. The motion is made on the allegation that Japanese rice is being dumped into this country and the Chair must first be satisfied that there is ground for this allegation. Would Mr. Sarma give the Chair any information to show that there is ground for the allegation that the Japanese rice is being dumped into this country?

**Mr. R. S. Sarma** (Nominated Non-Official): Mr. President, we have not got any official statistics of the amount of rice imported except what was given on the floor of the House this morning by the Commerce Member, but I think all Members of this House have seen the reports in the newspapers during the last fortnight or more that Japanese rice is being dumped into the market, and there has been no contradiction whatsoever. The very fact that there have been questions on this subject this morning shows that there is an apprehension that Japanese rice is being dumped into the market of this country. Also, the second part of question No. 1119 says:

"Has the attention of Government been drawn by the Burma Indian Chamber of Commerce to this grave situation by representations made recently by them?"

Besides, when the question of land revenue assessment on paddy was discussed recently in the Madras Legislative Council, it was repeated by member after member that the position of the agriculturists has been considerably aggravated by the dumping of rice and the consequent fall in the price of paddy in the Madras Presidency, and the official Members—the Finance Member and the Revenue Member—who spoke on this subject never chose to contradict this statement. In view of this I think there is a reasonable apprehension that the report that we have heard is correct.

**Diwan Bahadur A. Ramaswami Mudaliar** (Madras City : Non-Muhammadan Urban) : May I say a few words as to what I have come to know unofficially regarding this question of dumping? The statement appeared in the Madras press that about the 8th or 9th of this month a Japanese vessel came into the Madras harbour laden with about 7,000 tons of rice, 1,900 tons of which was intended for Madras consumption and to be unladen in the Madras harbour and the rest of it to be unladen in various harbours round the southern coast of the Madras Presidency and round the coast of the Bombay Presidency. The actual statement appeared in the papers a few days before the vessel was expected. The rice was supposed to have been shipped in Siam and carried through a Japanese boat; so it would be wrong to say that this rice came from Japan direct. It is Siamese rice according to the press reports, but was carried in a Japanese vessel, and the rice was intended to be unladen at various ports in the southern coast of India. That was the allegation on which certain Members of the Madras Legislative Council made representations. The Madras Government had neither the opportunity nor the means by which they could verify this statement, because customs being an Imperial department the Madras Government could not get any information on the subject. The Honourable Member's reply confined itself to the 31st October, but this fact appears to have arisen after that date, about the 8th or 9th of November. We are all anxious to know the real facts and if the Honourable Sir Joseph Bhore will ascertain this specific fact from the Customs Department in Madras which he could do in a day or two and place it before the House, then Mr. Sarma or any other Honourable Member who is interested in this question would, I am sure, like to have its consideration adjourned till such date. We are not in a position to ascertain any of these facts officially; we could only get them from the press reports. Therefore, if the Honourable the Commerce Member would ascertain whether these allegations are correct and if he will make a statement on that question, the question of the adjournment of the House may be raised at a later date.

**Mr. G. S. Ranga Iyer** (Rohilkund and Kumaon Divisions : Non-Muhammadan Rural) : I want the Honourable the Commerce Member to ascertain the connection between Siam and Japan in the matter though, as now evidenced by the speech of my predecessor, there is an apprehension about Siam and Japan having come to an agreement in regard to the dumping of rice into this country; so far as the storing of surplus in Siam, either way there is apprehension in the public mind and I hope my Honourable friend, Mr. Sarma, will not press his motion for adjournment today if the Honourable the Commerce Member will accede to the request made by the Leader of the Independent Party.

**The Honourable Sir Joseph Bhore** (Member for Commerce and Railways): I shall be most happy to get at the earliest opportunity all the available information on this point so that Honourable Members' minds may be set at rest by any information that is forthcoming. However, my position has been rendered a little difficult by reason of the fact that the notice of adjournment referred to the dumping of Japanese rice. I naturally made all enquiries with regard to that and the result is that I was able to give the House the information that 66 tons had been imported into the country during the four months ending the 31st October. I shall now, in view of what my Honourable friend, the Leader of the Opposition, has said, try and obtain all further relevant information I can on this subject. The only other point I wish to emphasize is this, that even including rice from Siam the imports into this country have been 4,000 tons less during this half year than in the previous half year.

**Mr. C. S. Ranga Iyer:** Are they stored in Japan?

**Mr. R. S. Sarma:** The House is not now in full possession of the facts.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Does the Chair take it that the Honourable Member does not wish to press his motion today?

**Mr. R. S. Sarma:** I shall again give notice of this motion after the House is put in full possession of the facts and I hope you will waive the question of urgency and allow me to move my motion.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Properly speaking, any motion relating to the dumping of rice from Japan or from Siam must be made today as being the earliest day. The notice before the House by Mr. Sarma clearly relates to the Japanese rice and the Honourable the Commerce Member has given figures to show that, so far as Japanese rice is concerned, there has been no dumping and the Honourable Member, Mr. Sarma, has not given the Chair any information to establish the fact that there has been Japanese dumping and, on that ground, no matter of urgent public importance has been established to warrant the adjournment of the House and the motion will be out of order. But since Honourable Members have evidently got confused in their knowledge of geography about Siam and Japan, the Chair would condone that error and if, at a later stage, Honourable Members come in possession of more detailed information with regard to the dumping of rice, the Chair would not raise objection on the ground of urgency.

**Mr. C. S. Ranga Iyer:** May I just enquire from the Chair whether it will raise objection if investigation leads to a geographical contact between Siam and Japan?

**Mr. President** (The Honourable Sir Shanmukham Chetty): That does not arise.

## H. E. THE GOVERNOR GENERAL'S ASSENT TO BILLS.

**Mr. President** (The Honourable Sir Shanmukham Chetty): I have to inform the House that the following letter has been received from the Private Secretary to His Excellency the Viceroy:

"I have the honour to inform you that the following Bills, which were passed by both Chambers of the Indian Legislature during the Simla Session, 1933, have been assented to by His Excellency the Governor General under the provisions of sub-section (1) of section 68 of the Government of India Act :

1. The Workmen's Compensation (Amendment) Act, 1933.
2. The Land Acquisition (Amendment) Act, 1933.
3. The Indian Wireless Telegraphy Act, 1933.
4. The Indian Income-tax (Second Amendment) Act, 1933.
5. The Indian Railways (Amendment) Act, 1933.
6. The Cotton Textile Industry Protection (Second Amendment) Act, 1933.
7. The Indian Arbitration (Amendment) Act, 1933.
8. The Murshidabad Estate Administration Act, 1933.
9. The Cantonments (House-Accommodation Amendment) Act, 1933.
10. The Indian Tea Control Act, 1933.
11. The Indian Merchant Shipping (Second Amendment) Act, 1933.
12. The Dangerous Drugs (Amendment) Act, 1933.
13. The Indian Medical Council Act, 1933."

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## STATEMENT OF BUSINESS.

**The Honourable Sir Brojendra Mitter** (Leader of the House): With your permission, Sir, I desire to make a statement as to the probable course of Government business during the first week of the resumed Session. Members have already seen the Agenda Papers for today and tomorrow. You, Sir, have directed that the House shall not sit tomorrow and accordingly the business put down for tomorrow will be taken on Thursday. You, Sir, have already directed that the House should sit on Friday and on that day motions will be made to take into consideration and pass the Bill which is to be introduced today by Sir George Schuster to amend the Indian Tariff Act, 1894, the Indian Finance Act, 1931, and the Sea Customs Act, 1878, for certain purposes.

That, Sir, concludes my statement as regards the business of this week, but I may be permitted at the same time to say that the six working days of next week will be occupied by the motions for the consideration and passing of the Reserve Bank Bill and the Bill to amend the Imperial Bank of India Act.

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## THE INDIAN TARIFF (SECOND AMENDMENT) BILL.

**The Honourable Sir George Schuster** (Finance Member): Sir, I beg to move for leave to introduce a Bill further to amend the Indian Tariff Act, 1894, the Indian Finance Act, 1931, and the Sea Customs Act, 1878, for certain purposes.

[Sir George Schuster.]

The purpose of this measure is fully and, I hope, clearly set out in the Statement of Objects and Reasons. I should like to inform the House that we should not have thought of taking up this business during the present Session which will be mainly concerned with a very special purpose unless it had been a very urgent matter. The fact is that recently the practice has grown up for importing into this country a certain quality of oil which can be used for the same purposes that kerosene is used, namely, for burning as an illuminant in lamps, but which, for technical reasons, we cannot classify and tax as kerosene. The result of that is two-fold. The first result is that there is a serious loss of revenue involved, a loss which at present we calculate as amounting to some thing like one lakh per month, and which, if the process extends, might be very largely increased. And the second result is that serious damage is being done to the Indian oil producing companies who are "playing the game", if I may say so, in this matter and not attempting to dispose of any oil for the purposes of burning as an illuminant except as kerosene on which they pay full duty. As a result of this interference with their business, there is the danger of unemployment and of loss of revenue to Provincial Governments where those companies are operating, such as Burma. I may say we have had very strong representations from the Government of Burma on the necessity for early action in this matter. That, Sir, I think is all I need say on the subject today. Sir, I move.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That leave be granted to introduce a Bill further to Amend the Indian Tariff Act, 1894, the Indian Finance Act, 1931, and the Sea Customs Act, 1878, for certain purposes."

The motion was adopted.

**The Honourable Sir George Schuster:** I introduce the Bill.

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#### THE INDIAN NAVY (DISCIPLINE) BILL.

**Mr. G. R. F. Tottenham** (Army Secretary): Sir, I move for leave to introduce a Bill to provide for the application of the Naval Discipline Act to the Indian Navy.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That leave be granted to introduce a Bill to provide for the application of the Naval Discipline Act to the Indian Navy."

The motion was adopted.

**Mr. G. R. F. Tottenham:** I introduce the Bill.

## **RESOLUTION RE RATIFICATION OF THE SILVER AGREEMENT.**

**The Honourable Sir George Schuster** (Finance Member): Sir, I move the following Resolution:

"That this Assembly recommends to the Governor General in Council that he do ratify the Memorandum of Heads of Agreement entered into by the Delegates of India, China and Spain as holders of large stocks or users of silver, and of Australia, Canada, the United States, Mexico and Peru as principal producers of silver, at the Monetary and Economic Conference held in London, in July 1933."

I think the House is fully aware of the objects of the agreement referred to in this Resolution; but at the outset I should just like to remind Honourable Members of the main points in that agreement. On the one hand the Government of India would, under this agreement, bind themselves not to sell more than an average of 35 million ounces of silver annually for the four years beginning on the 1st January next. If we sell less than that quota in any particular year we can make it up in other years provided that we shall not in any single year sell more than 50 million ounces. The Government of Spain which also has stocks of silver of which it may wish to dispose binds itself not to sell more than an average of five million ounces per annum for the same period. But I may inform Honourable Members that although the Government of Spain has asked for this right, I understand that there is not very much chance of Spain disposing of silver at this rate, and, therefore, I think for all practical purposes we may regard the Government of India's position as the main factor on the selling side. As against the 35 million ounces which we should bind ourselves to regard as our maximum for annual sales, the Governments of the countries, that are interested in silver as producers, namely, the United States, Australia, Canada, Mexico and Peru, have agreed jointly to purchase in every year or otherwise to take off the market a total amount of 35 million ounces of silver. The result of that will be that any sales that we made on the one side will be neutralised by purchases on the other so that the market will be left to the free play of current production on the one side and current consumption on the other. :

I might then turn to a second point, the question as to whether this agreement is of advantage to India, first, as regards India's direct advantage out of it and, secondly, as regards its indirect results on the course of the world's trade which of course concerns India very directly and in a very important way. With regard to the first question of India's direct advantage, I think there can be little doubt on that point. We do not really bind ourselves in any way which I think can be described as embarrassing to us, for the amount that we are entitled to sell represents a reasonable amount for us to regard as a maximum having regard to the stocks of silver that we possess. On the other hand, the existence of the agreement must, I think, give stability to the silver market which it would not otherwise have and must tend at least to keep prices higher than they otherwise would be. That, of course, is a great advantage to the Government of India as a holder of large silver stocks and as a potential seller of silver and it must also be of advantage to the great masses of people in this country millions of whom hold silver in various forms and for various purposes and who regard it ultimately as a store of value to which they can turn to help them out in hard times. I do not think, however, that it is enough merely to answer this first part of the question in the affirmative in order to support the present agreement. One must also consider the effects on world trade

[Sir George Schuster.]

generally; for it would clearly be short-sighted for India for the sake of the direct advantage with regard to silver to do anything which might adversely affect the course of the world's trade. It is, therefore, necessary to consider how the world's economic position is affected by a rise in silver prices. On that point I am afraid that I cannot myself agree with those silver enthusiasts who have regarded the fall in silver prices as one of the major causes of the present depression and who would, therefore, regard any rise in silver prices as likely to have an important effect in relieving us from that depression. I have to regard the fall in silver prices rather as an effect than as a cause of the present world depression. The silver enthusiasts argue that the purchasing power of India and China depends largely on the value of silver and they say that the fall in silver prices has reduced the purchasing power of half the population of the world. I think we, who live in India, know that that is not really strictly correct. For one thing India has not been on a silver basis as regards her currency since 1893; and for another thing we know that the purchasing power of India depends on the value of the merchandise which India can produce and export. We know that whereas in the ten years from 1920 to 1930 the average value of India's export of merchandise was something like 320 crores, in the last financial year that figure had dropped to somewhere about 135 crores. That is the reason for the falling off in India's purchasing power and the fall in the price of silver has very little to do with it. On the other hand if one turns to China the case is somewhat different, for China is still on a silver currency and one must consider what the effects of a rise in the price of silver would be on China's position, because China, after all, is an important factor in the world's trade in which we are all interested. Of course a rise in the price of silver or a fall in the price of silver would affect China in just the same way as an appreciation or depreciation of her currency would do. I may inform Honourable Members that, as I felt that the effects on China were a very important matter to take into consideration, when I first took part in these conversations in London, I refused to commit myself in any way as regards the proposals which had been put forward until I had had an opportunity of ascertaining how they were regarded by the Chinese delegates. China was very strongly represented at the London Conference and I was fortunate in having opportunities to discuss the matter very fully and very closely with their Finance Minister, Mr. T. V. Soong. I found that Mr. Soong was an enthusiastic supporter of the proposals which were put forward from the American side. He said that China's interests came in in three different ways: first of all, he was very anxious to see stable prices for silver. He was afraid that if nothing were done, there might be a further slump in the price of silver which would be very embarrassing to India and China. He wanted to avoid that slump; he wanted to see stable prices. And, thirdly, if there was to be any tendency to any change at all, he wanted to see the change in the direction of a gradual,—not a sudden but a gradual,—appreciation, because that would produce confidence in China and also incidentally would be a great help to his own budgetary position. As I found that the Chinese delegates, who were besides ourselves the chiefly interested parties, were very strongly in favour of an agreement on these lines, I felt that it was right to proceed with it, both in our own interests and in the interests of a wider circle of trade. I do not think, in these circumstances, that there is any one who can really raise any objections to the agreement as

it stands. But there may be certain people who, in this matter, see the closely connected question of our policy as regards selling silver, and possibly certain Honourable Members may have something to say on that matter.]

Now, I think that there are people in India who on any given date would come to us and say "You ought not to sell a single ounce of silver". But I doubt very much whether any, even the extremists, of that school would go so far as to tell us now, looking back over our past record, "You were wrong to sell silver and you ought not to have sold in the past a single ounce of silver". I should like, as we are dealing with silver, to take this opportunity of putting before the House very shortly some facts as regards what has been done in the past in the way of silver.

In 1926, when the Hilton-Young Currency Commission reported, the Government of India held in their Currency Reserves 91 crores of silver rupees. We now hold 104 crores; our stocks have gone up by 13 crores, in spite of the fact that we have since then sold about 171 million ounces, equivalent to about 50 crores of rupees. The figures that I am giving are not absolutely up to date, but I have taken into account sales up to the middle of the present financial year. If we had not sold that silver, we should today be holding a stock of no less than 154 crores of silver rupees, quite a prodigious stock, which no one could possibly say was not larger than we possibly could require. Now, out of the silver that we have sold we have realised about £15 $\frac{1}{2}$  millions, which has afforded us very valuable assistance over the past three or four very difficult years, and helped us to avoid borrowing to that extent and by so doing saved us from incurring charges which would certainly run to about 6 per cent. on about £16 millions. The average price that we have realised on the silver which has been sold represents about 20 $\frac{1}{2}$ /5th d. per standard ounce whereas the present price is about 18 $\frac{1}{4}$ d. per standard ounce; so that even on these figures there is a profit; for today we could buy silver back at about 2d. per ounce less than what we sold it at. But these figures really do not reveal the true effect of our past sales, for two reasons: first of all, the present price of silver represents the price in sterling, the gold value of which has depreciated by about 33 per cent., whereas about £11-1/3 millions worth of silver that we sold was sold before September 1931, and, therefore, was sold against sterling on a gold basis. Now as during the three years preceding that we had bought a good deal of gold, about 10 $\frac{1}{2}$  crores worth of gold in fact, and put it in our Currency Reserves, I think we can fairly say that a part of our silver proceeds is really represented by gold that we now hold, and if we liked to write up the gold to its full value we can say that instead of an average price of 20d. an ounce we have really averaged something like 27d. per ounce for that silver.

That is one point to take into account. But there is another point also which is not so nearly hypothetical as that, and that is that when you consider what your position would be today if you had not sold that silver, you have to take into account the interest that you have earned on the proceeds during the past three or four years: if we can earn or save interest at the rate of five per cent. per annum, then obviously every 20d. per ounce that we realised at the beginning of one year becomes equivalent to 21d. per ounce at the end of the year. On a rough calculation we have earned or saved about £2 $\frac{1}{2}$  millions sterling in interest on the silver which we have sold up to date, and if this is added to the price,

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the price realised is really equivalent to a price of about 24d. an ounce today. I think that on those figures Honourable Members must agree that we have done good business in our policy of selling silver in the past.

But there may be some critics who say "At any rate as regards the future you ought to stop". To any who hold those views I would say that that criticism is not really relevant on the present agreement, because the agreement does not bind us to sell silver in any way. We remain perfectly free: we can decide our policy exactly as we think right. Therefore the agreement in no way ties our hands, and does not commit anybody to approving the policy of continued selling of silver. That, I think, describes the main factors which have to be taken into account in this situation.

I should like to close by describing very briefly what I consider to be the main significance of this agreement. In the first place, I think it should be welcomed as the one practical achievement of the World Economic Conference. Perhaps it is not a very large achievement, but still it has a real and important significance as a token of international co-operation. We as a Government feel that what is needed above all things now is international co-operation in economic matters; and this agreement is a tangible sign of our attitude on that subject which must for that reason be advantageous. We hope in particular that it may help to promote a good understanding with the United States where those who were interested in silver had previously been inclined to cherish rather bitter feelings against the Government of India on account of our selling policy. All that, I hope, has been changed by our London conversations, and I should like if I may to take this opportunity to testify my great appreciation of the attitude taken up by the United States representative, Senator Pittman, in this matter. If we on our side were ready to co-operate, we were merely responding to the first move made on the other side. The initiative and the devising of practical means for co-operation was supplied by Senator Pittman, and I can only regard his success in having got all those countries together to sign that agreement as a very great achievement for which he deserves not only the gratitude of his own country but of ours.

Secondly, when we come to consider the effects of the agreement, I have already dealt with those. I do not wish to exaggerate them, but I do think that any agreement of this kind which will tend to give stability to the market in an important commodity is a desirable one. If the agreement had been one which was likely to produce an unnatural rise in the price of silver, then I should have thought very differently about it, for I think that would have been a dangerous experiment, the effects of which might come back like a boomerang on those who launched it. We are doing nothing of that kind. All that this agreement does is to remove what may really be regarded as an unnatural factor from the silver market, the factor supplied by the selling policy of those, like ourselves, who have accidentally acquired large accumulations of silver in the past. It must be a good thing to remove that factor and leave the market in a healthy position of balancing current production and current consumption. Those are the two main points which, I should think, this House should take into account, but in its wider significance the point of doing something to encourage international co-operation is, I think, of the greater importance.

Before I close, I should like to say again that it is desirable not to exaggerate the importance of agreements like this and to recognise what are the true causes in our present world depression. The removal of the factors of India's sales of silver from the silver market is really of very little importance compared with the loss of purchasing power which has come upon India in the last few years.

Again, let me give the House just a few figures on this matter. If we take the average of the five years up to 1930, and if we take into account all the silver that the Government of India sold, nevertheless the net amount of silver which India took off the world's market on an average for those five years up to 1930 amounted to ninety-two million ounces per annum. As against that, in the last financial year 1932-33, the private import of silver practically ceased, and Government sales continued to some extent, and instead of India taking ninety-two million ounces a year off the silver market, India on balance put back eighteen million ounces on to the silver market, so that there is a switch over in India's demand of 110 million ounces per annum. Now, when we consider that the world's production of silver has never been more than about 260 million ounces in a year and is now reduced to something like 150 million, it is quite obvious what a terrific effect this change over of India's position must have on the silver market of the world. The important thing is, of course, that we should recover our purchasing power. We must get back again to something like 300 crores of our annual exports of merchandise, otherwise there can be no hope of recovery in the silver market or in anything else. Until we can sell abroad greater quantities at higher prices of our jute, cotton, oil seeds and hides, we cannot secure our normal roll in the consumption of silver. Let us hope that our friends in America will appreciate this and not put difficulties in the way of our selling them commodities like jute for which we rely so largely on their market. In short, let us hope that the spirit of co-operation in economic interests may spread to wider fields in silver. In the meanwhile, I would ask the House to ratify this agreement as a sign of our own desire to aid that spirit of co-operation.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Resolution moved:

"That this Assembly recommends to the Governor General in Council that he do ratify the 'Memorandum of Heads of Agreement entered into by the Delegates of India, China and Spain as holders of large stocks or users of silver, and of Australia, Canada, the United States, Mexico and Peru as principal producers of silver, at the Monetary and Economic Conference held in London, in July 1933'."

**Mr. B. Das** (Orissa Division: Non-Muhammadan): Sir, I congratulate the Honourable the Finance Member who was a delegate at the World Economic Conference on his being so very modest. Naturally he was modest, because he himself confessed that the so-called World Economic and Monetary Conference ended in a fiasco, and the only tangible thing they could show was this silver agreement. Sir, international financiers and international statesmen are like international crooks. When they cannot solve their own national problems, they try to convene international conferences; they meet there and talk there, and when they cannot come to any agreement, they adjourn those conferences *sine die*. Fortunately for them there was this little eastern problem, the silver agreement. The Finance Member was a party to it. I do not congratulate him for not having his lieutenants who represented India at that World Monetary Conference on the floor of the House. If, Sir, we think of the discussions

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of anything that resulted from that World Economic Conference in any of the Parliaments of sovereign nations, what do we find? The representatives who attended those World Economic Conferences would have been sitting members of the respective Parliaments. They may be either members on that side or members on this side. Of course, Sir Cowasji Jehangir was co-opted just at the last moment of the beginning of the Conference, but he has taken to his heels to Bombay so that he is not here to utter a word of blessing to the Honourable the Finance Member. I was fortunately or unfortunately present in London, and I used to watch from day to day the results of the working of the World Economic Conference in the press. I was then a careful reader of the *Daily Herald*, and I found that the *Daily Herald* had from the very start predicted that this Conference would end in a fiasco, and it has ended in a fiasco . . .

**Mr. F. E. James** (Madras: European): It did end in a fiasco.

**Mr. B. Das:** My honourable friend, Mr. James, says it did end in a fiasco. He is now at last talking as a representative of the agricultural interests, because the Conference did not help in any way the friends of the capitalist nations or the statesmen of those nations that met in London.

My honourable friend, the Finance Member, paid a compliment to the United States diplomacy or the benevolent attitude of the United States. That country is overawing the whole world, not to speak of the silver countries of the world, for their own gain. I will just read a passage from a statement issued by President Roosevelt. So many statements were issued by President Roosevelt that the world is at a loss to know what he means and what he says, but I will just quote a few lines for the benefit of the Honourable the Finance Member. He said in a statement:

"The United States was seeking the kind of dollar which a generation hence will have the same purchasing and debt paying power as the dollar we hope to obtain in the near future. Our broad purpose is the permanent stabilisation of every nation's currencies. Gold or gold and silver —."

I want the Honourable the Finance Member to note the word "silver"—

"Gold or gold and silver can well continue to be a metallic reserve behind currency, but this is not the time to dissipate gold reserves."

Well, Sir, what is sauce for the goose is not sauce for the gander. What is good for the United States is not good for the "subordinate" country of India. I should like, when the Honourable the Finance Member replies, to tell us whether the lawyer experts or the so-called economic advisers that were recruited from India did tender any advice to him when the Silver Agreement took place. As I have mentioned, I was in London. One morning I thought I would go and find out the hotel where the Indian Delegation stayed. Whichever one rambled in the London streets one found the national flag of Czechoslovakia, or Germany, or America, on some of the hotels. I searched in vain; nowhere did I find the particular flag of India on any hotel. So, I hope the Honourable the Finance Member would . . .

**The Honourable Sir George Schuster:** I think I can set my Honourable friend's mind at rest at once. I do not like to leave him in any suspense on this matter. I was much more successful than he was in finding the

Indian delegates. We used to meet about two or three times a week—the full Indian Delegation on the Conference and those other Indians who agreed to act as advisers. We always discussed any important matters with them including, of course, the Silver Agreement. We had the full approval of all the Indians in London on this particular matter.

**Mr. B. Das:** I know my Honourable friend met them in one of the small dingy rooms of the World Economic Conference—the Geological Museum or Zoological Museum, I do not know exactly which it was . . .

**An Honourable Member:** Geological.

**Mr. B. Das:** I think Zoological would have been better. I was in London. When a visitor like me who does not know much of London and who wanted to see his national delegation—I wanted very much to see the national flag of India in the Hyde Park Hotel or the Savoy Hotel. I found it nowhere. Sir Padamji Ginwala lived in some place somewhere, Sir George Rainy was brought back from his well earned holidays to London and Sir Cowasji Jehangir was somewhere I do not recollect . . .

**An Honourable Member:** At Grosvenor House.

**Mr. B. Das:** Yes, at Grosvenor House. I saw so many national flags, but no flag of the Indian nation. Sir, that is a small matter, but that shows what minor position these economic advisers held. My Honourable friend, Sir Joseph Bhore, got wild the other day in Simla when I put a question about the lawyer statesmen that went as advisers to the World Economic Conference. They were lawyer statesmen. If they were financiers, if they were patriots, they would have demanded a national flag; they would have remained in one hotel. That would have shown that they represented the Indian nation.

My Honourable friend the Finance Member, alluded to various committees. If one looks at it, the Economic Conference divided itself into two Sub-Commissions, and each Sub-Commission had too many sub-committees, which, of course, ended in smokes as everybody knows. I do not want to mention all the sub-committees. I will tell my Honourable friend who went to improve the monetary position, the currency position of India—I do not want to discuss that today because it will come up when we discuss the Reserve Bank Bill next week and many of us will take the opportunity to allude to the false atmosphere in which this World Economic Conference was held only just to give satisfaction to a few statesmen of the world. I know my Honourable friend was a party to that statement, that certificate of self-indulgence which the British Empire delegates . . .

**An Honourable Member:** Self-indulgence!

**Mr. B. Das:** You can use any other word. The declaration of the British Empire delegates—I think my Honourable friend signed it—of course, Sir Henry Strakosch signed it for India. Sir George Schuster and

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Sir Henry Strakosch are twin souls. What did they say? The declaration was not signed by the representative of the Irish Free State. I know Mr. De Valera is always wise:

"Considered it appropriate, in view of the termination of the Conference to put on record the views of the Delegations of the British Commonwealth—(I wish I was a part of the British Commonwealth. I hope my Honourable friend will bring us to that)—concerning some of the more important matters of financial and monetary policy which had been discussed, but not decided, at the Conference. They were satisfied that the Ottawa Agreements had already had beneficial effects on many branches of inter-Imperial trade and that the process was likely to continue as the purchasing power of the various countries concerned increased. They re-affirmed their conviction that the lowering or removal of barriers between the countries of the Empire would facilitate the flow of goods between them and increase the trade of the world."

I will just quote a little more.

"The policy of furthering the rise in wholesale prices, until equilibrium had been re-established, would be continued by the Governments of the British Commonwealth, and they would take whatever measures were possible to stabilise the position thus attained."

Everybody knows that the Ottawa Agreements to which the British Empire agreed at Ottawa.—Sir, you were our worthy delegate to Ottawa—were the cause of the failure of the World Economic Conference. The delegates of the British Empire, when they found that the World Economic Conference failed and when they found that the delegates of Japan, China, Russia—the Russian delegate, M. Litvinov, spoke something very frankly to these gentlemen that met in the Geological Museum—these British Empire delegates wrote out a certificate to themselves and broadcasted it to the entire world.

I do not propose to oppose the ratification of this agreement. I kept awake till 2 o'clock in the morning reading all the books and was thinking as to what I should do. But this morning I found in the Reserve Bank Select Committee's report that there is a further statement by the Finance Member on the Silver Agreement. So I changed my mind and I thought to myself that I would rather not oppose the ratification. But it is no use talking blindly that it will improve the price level in the country,—that it will increase the price level in India, and that it will increase the volume of trade in India. Certainly it will do nothing of the kind. England is indebted to America and is frightened of America. America wants silver. It has not declared as yet for bi-metallism, but America wants to hoard all the silver, to hoard all the gold and silver. That is the American policy. I am not a high financier like my Honourable friend, Sir George Schuster, so I cannot pierce through the subtleties of the American financiers. But we know that America has landed herself in a mess. The dollar is depreciating, but people might think that America wants to bring the world down by that policy and then to increase its export trade. I fear the game is that America wants to hoard the silver, and my Honourable friend has already made a present of Rs. two crores silver a few months ago. Of course my Honourable friend got a price for it. 35 million ounces—that is nine crores of rupees worth of silver the Finance Member can now sell every year. But my Honourable friend himself said that there was only 104 crores worth of silver rupees in stock. Of course when we consider the Reserve Bank

Bill, we shall know that half of it will go into the Reserve. But why not keep the whole thing in the Reserve? I would like to quote a passage from a statement of very dear friend of the Finance Member and I hope he will appreciate it:

"Further, the sale of surplus rupees either today or in the near future, would only command in sterling approximately one-third of their face value, involving substantial losses on the transaction, as the silver was bought for coining at prices much higher than those now ruling. There is always the possibility, if an unexpected demand for rupee arises, of the Currency Authority having to buy silver for coin'g at prices higher than any present sale price; there is a strong movement indeed to raise silver prices. In view of these circumstances, I submit to the Joint Select Committee the necessity of not leaving to the discretion of the Government of India (either under the present Constitution or any new one), the sale of silver in the Currency Reserves, merely to save interest on a metallic reserve which is for the moment inert. So long as silver commands the confidence of the mass of people any saving in interest is entirely subordinate to the major purpose of keeping this currency rampart in impregnable strength."

My Honourable friends may not have spotted who has written this, but the Honourable the Finance Member must have read it hundreds of times.

**The Honourable Sir George Schuster:** I have not. Who is it?

**Mr. B. Das:** Sir Purshotamdas Thakurdas. There are people who might totally oppose the sale of silver. I have found that

1 P.M. Sir Purshotamdas Thakurdas' name is quoted very often on the floor of this House and it will be quoted during the next week. I thought that this particular passage will clear the atmosphere in the matter of the silver sale. Last night when I was going through the papers, my reasons for opposing the ratification was the same which my friend gave this morning, that by selling the silver the Government got 16 millions which they utilised to clear off their debts. What is the position of silver rupees? The predecessors of the present Finance Member minted nearly 600 crores of rupees of which 200 crores have been lost or melted down and probably there is at present a circulation of 300 crores.

**Mr. President (The Honourable Sir Shanmukham Chetty):** The Chair would remind the Honourable Member that this is a Resolution and the time limit is 15 minutes. It is hoped the Honourable Member will conclude soon. He has already taken his time.

**Mr. B. Das:** Sir, I shall conclude within five minutes. Sir Basil Blackett issued one rupee and Rs. 2/8 notes. People got familiar in the use of notes and so the silver rupees came back and, when it has come back, my Honourable friend thinks "Oh, these are not required for ordinary circulation. The seasonal crops or agricultural seasons will not require more money for circulation". Then the Finance Member has done away with the provision of silver redemption fund which was a feature of the 1927 Reserve Bank Bill although in his note on the present Reserve Bank Bill and the memoranda of Government regarding disposal of surplus silver, they have provided the silver redemption reserve fund to a small extent. These are the subtleties of international financiers which ordinary laymen like myself cannot understand. While I do not oppose the agreement, I do hope that the Government will give us an undertaking on the floor of the House that in future whenever they wish

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to sell silver they will take the consent of this Legislature and whatever money is realised from such sales will go towards the Gold Standard Reserve. It is no use cheating the people by giving only five annas for every rupee and then to collect that rupee and then to sell the rupee and utilise it to meet the debt obligations. Today there is no money in the country. The Finance Member is getting less customs revenue. He has lost in income-tax. So I would advise him not to dabble with the 50 crores of rupees that will be left with him, not to sell it, but to try to raise the price level in the country by adopting some other means and, when he seeks our advice in that matter, we shall be only too willing to give that advice.

**Mr. Vidya Sagar Pandya** (Madras: Indian Commerce): The agreement has been explained by the Honourable the Finance Member in some parts. With your indulgence I will first summarise the purport of the agreement. What the agreement seeks to do is to bring about an arrangement between the countries which stock silver and the countries which produce the silver, and it is claimed that it will mitigate the fluctuation of the price of silver. That is No. 1. Then it is claimed that it will not involve any further debasement of silver coinage in the countries parties to the agreement. Thirdly, they expect certain other countries to substitute subsidiary silver coinage for small paper currency, while, on the other hand, the Government of India during the last few years have been doing quite the contrary. Of course, it is said as a war measure they had introduced even one rupee paper and  $2\frac{1}{2}$  rupee paper and several times postal stamps were made to do the work of small currency. Then the next clause speaks of the limitations and exceptions to these items. One is that if the Governments, which were a party to this agreement, do not signify the acceptance by the 1st April, 1934, it will lapse, and the second is that Governments may take steps to prevent the flight or distribution of the silver coinage by reason of the rise in the bullion price of silver. Thereafter, we come to the various terms for the various countries. So far as India is concerned, India's part of the agreement is that India shall not dispose of more than 140 million ounces of silver during the next four years, though the concession has been given that in case they are not able to sell in a particular year 35 million ounces, they can carry over the balance for sale in the next year; but now we come to the one clause which appears to me to be rather very suspicious. It is said that notwithstanding anything previously stated in the article it is understood that the Government of India should, after the date of this agreement, sell silver to any Government for the purpose of transfer to the United States Government in payment of war debts. Now we know already that a large amount of silver was purchased from India by British Government at about 35 cents and passed on to America at about 50 cents an ounce. Now we did not know what benefit we could get from the rise in the market price, but we were not able to arrange the deal in such a manner as to get the benefit of about 15 cents per ounce for India, but which the British Government secured. Now, what I wish to know from the Honourable the Finance Member is whether this clause is meant to enable Indian silver to be given not only to the United Kingdom, but even to other countries so as to enable them to settle their war debts with the United States and make similar profit.

**The Honourable Sir George Schuster:** Sir, I should like to set the Honourable Member's mind at rest on that point. That clause was put

in entirely at our request. We naturally wished to get as much latitude as possible under this agreement and to limit our power of selling as little as possible; and if we agreed to the amount of 35 million ounces per year as a fair sum, we said that if we were going to transfer indirectly to the United States silver as has been done in the recent transaction of 20 million ounces, that ought to be outside the agreement, and the Americans agreed to that, with the proviso that anything that we transferred in that way *plus* what we sold in the market must not exceed 175 million ounces. There was an over-all maximum of 175 million ounces put on all the transactions, but the addition of that clause was made entirely at our own request in order that we might have a little more latitude. What we had in mind was merely transactions of the same kind that took place last summer, and, as my Honourable friend has raised the point, I should like to remind the House that we disposed of 20 million ounces of silver last summer in order to enable the British Government to make that payment to the United States. The British Government was under no obligation to buy that silver from us and we, as a matter of fact, did a very good bargain with them, because we sold the silver at a price something like 1½d. above the market price of the day. It was a completely independent transaction between us and the British Government out of which we benefited very very greatly.

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): May I know whether the price of silver would have risen, had British Government gone to open market?

**The Honourable Sir George Schuster:** If that sort of result had happened, then that transaction would never have been carried through at all.

**Mr. Vidya Sagar Pandya:** Sir, I am obliged to the Honourable the Finance Member for the information and let me also congratulate him on the half penny improvement in the price of silver, but he has not enlightened us as to how the British Government made a profit at about 15 cents per ounce when we got only a half penny?

**The Honourable Sir George Schuster:** The United States Government made a present to the British Government of 15 cents an ounce. They said, "We will accept this token payment on a certain basis". That had nothing to do with India. As far as we were concerned, we got an opportunity to sell 20 million ounces at a price which was 1½d. above the market price.

**Mr. Vidya Sagar Pandya:** Then the British Government, I expect, would have shared with us half the profits at least and not left us with a half penny.

**An Honourable Member:** A penny and a half-penny.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member may resume his speech after Lunch. The House stands adjourned till Half Past Two.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock,  
Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

**Mr. Vidya Sagar Pandya:** Sir, when we adjourned for Lunch, I was just explaining clause 6 of the agreement and I was requesting the Honourable the Finance Member to secure better terms in future if he could and not to be quite content with half-penny against 15 cents made by the British Government.

Reverting to the agreement, the next clause relates to Australia, Canada and other countries and I need not speak anything about them though it may be noted in passing that China has been most liberal in the matter. Next comes India. Then there are other clauses relating to some kind of difference in the matter of ratification of the agreement by the respective Governments. I hope the other Governments will ratify the agreement and stick to it and we will not have again here the sad spectacle of Japan and Germany who withdrew from the League of Nations. However, I will leave those things alone.

Now, Sir, there are roughly three advantages which are claimed for it. One of them is that if the international action is taken it will raise the world price of silver. So far, we have not seen any effect of it. Even if it does check the lowering of the value of silver in the future, it would be something achieved and, to that extent, we might congratulate our Finance Member for the part he has played in this matter. But there is one point which I wish to bring to the notice of the House and I would ask the Honourable the Finance Member to give us some assurance on this matter. We are supposed to have still about 175 million ounces of fine silver or about 52 crores of rupees worth of currency silver. Let us hope that this silver, when it is sold, will not be converted into sterling securities. It must be used entirely in the acquisition of gold to strengthen the position of India so that we may, in as near a future as possible, revert to the gold standard instead of remaining on the present silver standard linked to the mere paper currency of United Kingdom. The Honourable the Finance Member has laid stress in the matter of investments and said that investments earn money while silver or gold do not earn anything. Sir, there is a limit to such investments and you cannot go on putting all your money in the sterling securities. We must look also to the safety and security to inspire public confidence. I am afraid, our Finance Member is developing the tendency of a *baniya*; he has become too much of a *baniya*. A *baniya* was asked whether he loved his son more or his money more. He said he loved his money more. He was then asked why? He replied: "The boy earns only during the day-time while the money earns both day and night." So, I am afraid, the Finance Member has caught that spirit and he has begun to love interest so much that we are afraid that the white metal which India now possesses will be converted into mere paper. I would request the Finance Member to kindly give us an assurance that whatever sales are effected the proceeds will go towards the acquisition of gold, because India would not like to lose a single ounce of silver to barter it for mere sterling securities, otherwise it would mean a surreptitious accentuation on our part of more and abnormal proportion of British Government securities in either our currency reserves or in other funds at the disposal of the Government. Sir, I do not know for how long I can speak more.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member can speak for five minutes more.

**Mr. Vidyasagar Pandya:** The other point which I would like to make is this. Supposing under the agreement we are in a position to sell as much silver as we are allowed and even at a good rate, what would be its effect on the exchange market, that is to say, how will it affect the export value of Indian produce? That point has got to be taken into serious consideration.

I would request the Finance Member to bear these matters in view and not to convert the silver into sterling securities. Let us hope that this agreement will be carried out in the letter as well as the spirit in which it was made. If an assurance is forthcoming that the sale proceeds of silver will not be converted into sterling securities and that we will get full advantage of the sales and not hand over our silver to other countries to make such large profits, I will not stand in the way of the ratification of the agreement.

**Diwan Bahadur A. Ramaswami Mudaliar** (Madras City: Non-Muhammadan Urban): Mr. President, if I intervene in this debate, it is neither to find fault with the Finance Member for having entered into this agreement, nor because I am in any peculiar position as a financial expert or an expert in bullion to give to this House any novel ideas on the subject; but it is merely to make clear to myself some aspects of this agreement and to put before the Honourable the Finance Member certain conditions with reference to the silver agreement that has been reached.

I am aware that the World Economic Conference met under peculiarly difficult conditions. Those who try to mock at the World Economic Conference and its futility do an injustice to themselves, because they must realise that when 66 nations met and for the first time, to discuss questions of extraordinary difficulty, questions which have baffled national Governments all over the world and questions which for an international agreement must take many such conferences to come to a satisfactory conclusion, it cannot be an easy matter to arrive at agreements. They do an injustice to themselves when they suggest that the World Economic Conference has proved an utter failure. I am not here as an apologist for the World Economic Conference or its activities. I have had nothing to do with it. But I think it is only fair to suggest that the Conference has at least done this thing, it has brought before the nations of the world the big problems which affect the whole world and also the peculiar circumstances which relate to different countries. In that educative way it has done its own work and those who are in the best position to judge on these matters have expressed the opinion that though the World Economic Conference has been adjourned, its educative value has been such that it is worthwhile repeating this attempt at World Economic Conferences under more favourable conditions and at a more psychological moment. This Resolution which the Honourable the Finance Member has moved embodies an agreement which is, if I may say so, a salvage of what has apparently been the wreck of the World Economic Conference;—this and the wheat agreement which has also been a subsidiary agreement of the World Economic Conference. What are the outstanding facts with reference to the silver agreement? With reference to the silver agreement, the United States took a prominent part and with reference to the wheat agreement the Canadian Government, through its Prime Minister, Mr. Bennet, took

[**Diwan Bahadur A. Ramaswami Mudaliar.**] a prominent part. I think we should be thankful that at least on this question there has been some attempt at trying to understand each other's position and of coming to an agreement on peculiarly difficult problems. Regarding the silver agreement, to which I should like to confine my attention, the position is that every Government should report to the United States by the first April, 1934, that the agreement has been ratified by that Government. We are one of the very first countries as usual to ratify this agreement and we are going to report to the United States that we have done so at a very early date. In all International Conferences it must be the experience of Members of this House that if India puts its signature, it stands by it and it is one of the earliest Governments to record its agreement and to ratify that agreement. Whether at the League of Nations or at the International Labour Conference or at other International Conferences, India's position, as one who tries to keep to its word and to ratify that, stands very high and those who have partaken in International Conferences will bear testimony to that fact. From that point of view also I think the House will be well advised to ratify this agreement. There is very often a tendency to repudiate delegates, a tendency not less so in India than in other countries. Whatever has been done by anybody else cannot be done as well as if I were present there.

**Mr. B. Das:** I never spoke in that sense if you refer to me.

**Diwan Bahadur A. Ramaswami Mudaliar:** I can assure my Honourable friend, Mr. Das, that he was farthest from my thoughts when I was making this observation. That amount of self-confidence is a very good thing and I appreciate that, but I think at the same time we ought to cultivate the spirit that where delegates go on behalf of a country and put their signature to those International Agreements as far as possible, unless there are overwhelming reasons to the contrary, the country, the Government and the Legislature should abide by that agreement and should ratify that agreement. From that point of view, I am glad that on this occasion at least, the Honourable Sir George Schuster is in the happy position that his act in signing the agreement has not been seriously questioned in any quarter of the House.

Now, turning to the agreement itself, I should like enlightenment on one or two points which have puzzled me a little. Clause 2 of the agreement says:

"That the Government of Australia, Canada, the United States, Mexico and Peru, during the existence of this agreement, shall not sell any silver, and shall also in the aggregate purchase, or otherwise arrange for withdrawing from the market, 35 million fine ounces of silver."

That is exactly the amount which India is privileged to sell in any particular year. The clause further says that those countries should come to an internal agreement among themselves as to the quotas which they would allow to each of the other countries in buying back that silver. I should like to know if the Honourable the Finance Member has any information on this subject, whether any move has been made by those countries to come to a settlement on this allocation of the purchasing power of the various countries. Very often these agreements are broken, because the subsidiary agreements that are necessary to confirm the main agreement have not been come to. I have a faint recollection that with reference to

the wheat agreement a loop-hole was left to the Soviet Government of coming to an independent agreement with reference to the amount of wheat that it could sell and this question has not been settled. The Canadian people have felt that Mr. Bennet has not made a good bargain, because the essential factor for making that agreement valid, namely, a subsidiary agreement with the United States of the Soviet Republic has not been arrived at. I should like, therefore, to know if the Honourable the Finance Member is at all in a position to say whether the subsidiary agreement among the purchasing five nations has been arrived at. Another point ancillary to this to which I should like to draw the attention of the House is the fact which is at the conclusion of this memorandum. In para. 8, it is said:

"If one or more of the Governments enumerated in Article 2 fail to ratify by the 1st April, 1934, the agreement shall come into force at that date if the other Governments mentioned in Article 2 which have ratified notify the other Governments which ratify that they are prepared to purchase, or cause to be withdrawn, in the aggregate the amount of silver mentioned in Article 2."

That is to say, if Australia, Canada, the United States, Mexico and Peru or one of these Governments or more than one withdraw from this and fail to come to the subsidiary agreement to which I have referred, it will nevertheless be open to the rest of the Governments to say that they shall absorb the whole of 35 million, and, therefore, this agreement may stand. It seems to me that before we offer our congratulations to the Honourable the Finance Member, we have to wait and see whether those two conditions precedent are properly satisfied, whether in the first place the five countries come to an agreement themselves and, in the second place, if any one of them or more than one failed, whether the other countries are prepared to carry on the obligation of absorbing 35 million ounces of silver which are on the market. My Honourable friend, Mr. Pandya, very rightly pointed out that in the sale of silver, the investment of the proceeds should be of such a kind that it will not endanger the resources of the country. The Honourable the Finance Member referred to the fact that in the past few years there was a great deal of silver sold and that all of it was translated into gold bullion and, therefore, the country gained rather than lost by the transaction. I am not quite sure if I interpreted the Honourable the Finance Member rightly when he said that the purchase of silver was transformed into gold. I do not think he intended to say so. He could only have said, that part of it went towards the purchase of gold bullion and the other part was in sterling securities. I do not think it is possible to differentiate between that amount which went for the purchase of gold reserves and that amount which was locked up in sterling reserves. Various transactions of the Government of India have resulted in a certain amount of gold reserves being kept in London for us and in a certain amount of sterling reserves; which portion of it was from silver sale proceeds and which from other sources, it is not possible to say. It appeared again from the speech of the Honourable the Finance Member that we had suffered no loss at all when England went off the gold standard. I do not think it is a perfectly accurate statement. Obviously at the time when England went off the gold standard on the 11th September, 1931, we had both gold reserves and sterling reserves. So far as gold reserves were concerned, we were not affected by England going off the gold standard. We had a certain amount of sterling reserves and the complaint of the people of this country is that with reference to that we had a sharp fall in our assets. Now, let me explain that position a

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little more clearly. Before England went off the gold standard, there was no difference whether we had gold reserves or sterling reserves,—they were of the same value. The pound being pegged on to gold it did not matter whether the pound sterling was paper money or gold currency. In fact there was no difference at all, because every pound represented the same amount of gold worth. Now, the moment England went off the gold standard, the sterling depreciated by 25 per cent. The result of that was that whereas the gold reserves kept up their old value and we did not suffer, to the extent that we had sterling reserves we immediately had a depreciation of 25 per cent, in the value of the reserves that we had built up in London. That is the complaint of those who say that it was not right that we should have maintained sterling reserves at that date. There is no doubt that by England going off the gold standard the extent of the reserves which were held by India in sterling depreciated by 25 per cent, and my friend, Mr. Pandya, rightly suggests that at the present moment or on any future occasion, when silver is sold, we should keep the proceeds in such a manner that it may not depreciate. But I have a doubt in following up the suggestion which in my personal capacity I should like to express. If the suggestion is that gold should be purchased from the proceeds of any future sales of silver I am not quite sure whether we are in a better position than if we were to invest in sterling. Today gold stands in exactly the same position as sterling. It fluctuates from day to day and perhaps we may be paying much too heavy a price at the present moment in buying gold. The action of the United States has unduly increased the price of gold at the present moment. It must be a better prophet than even the Finance Member who can say that this price of gold will be kept up for any length of time. If, therefore, we invest in gold, what will be the result? A few years hence, that gold, as we all hope, will get back to normal standards. Therefore, while I feel this difficulty that I am unable to definitely state whether the proceeds should be in gold or sterling, I venture to think that, human nature being what it is, there is a feeling among many of us that perhaps, after all is said and done, with all the vagaries and variations of the gold level, it may be better to have it in gold rather than in any other form of security. That *bunia* feeling, an overdose of which my friend rightly deprecated, I think acts in many of us; and, from that point of view, I think it is right to suggest that with all these factors the point must be kept in mind at least by Government that perhaps to a certain extent gold reserves are a safer investment than sterling reserves notwithstanding the loss on interest.

Now, Sir, there is only one other point that I should like to refer to in the short time at my disposal. This agreement refers to sale to a Government on behalf of payment of war debts to the United States of a certain amount of silver. And as this question has been raised pointedly by my friend, Mr. Pandya, and has been to a certain extent explained by the Finance Member, I should like to place a point of view for the consideration not of the Finance Member, but of those in higher authority than himself. Now, we all know that whereas fiscal autonomy is said to have been given to this country and the views of the Government of India generally prevail on fiscal matters, financial autonomy has not been given to this country. The Finance Member has a great deal of discretion; the Chancellor of the Exchequer of the Government of India has got enormous powers, but I think it is common knowledge that there comes a stage when the Chancellor of the Exchequer of the Government of

India is bound to carry out what is dictated to him from above. Financial matters are still controlled from Whitehall and from London and, therefore, the Finance Member of the Government of India has not got financial autonomy. Now comes my proposition. The Government of India sold at 35 cents or thereabouts and the Government of England sold that very silver back to the United States at 50 cents. My Honourable friend suggests that the United States made a present of 15 cents to the Government of Great Britain. I do not think that is a fairly accurate way of describing it, because throughout these transactions which I followed with some little care, I do not think the United States held out a sort of bonus to Great Britain for this transaction. Now, Sir, I was on the question that the Government of India and India, therefore, have not got financial autonomy. The position of India in financial matters with reference to Great Britain is merely this. Great Britain is the trustee, India is the *cestui que trust*. I ask my Honourable friend to consult his colleague, the Leader of the House, and he will tell him that there is only one phrase, and not a very elegant phrase, which is known to lawyers, when a trustee conducts an operation on behalf of the *cestui que trust* and pockets the profit. I do not want to blame the Government of India or even the India Office in this respect. A knowledge of the working of the India Office and of the personalities who are behind these things leads me to hesitate before saying that either the Government of India or the India Office did not fight for the Indian cause and did not suggest that the full amount of the profit which they were making should be transferred to India. But I think this is a case of the Government of Great Britain over-riding both India Office and the Government of India, and though this is a fact which has already been accomplished, I venture to bring forward a discussion to this subject, because I believe that it is still open to the many good friends in England, particularly in the House of Commons, to raise this issue and to see that justice is done to India. During the past few months that I was in England I was impressed by one fact that there were many in England who were "friends of the masses of India" as opposed to the agitators, the intelligentsia like myself and many of my colleagues here. There are "friends of the masses" who have appeared before the Joint Select Committee and said that they will do everything possible to preserve the condition of the masses, to improve their condition, and to shed their last drop of blood to see that the masses were not exploited. I know that there are good friends like Mr. Winston Churchill and Lord Lloyd. (Laughter.) I do not think that it is a matter for ridicule at all. These claim to be sincere friends on behalf of the masses and I hope that my words will travel to London and these reports will be read by these gentlemen there and they will raise this question in the House of Commons and ask the British Government how they exploited India on this occasion and pocketed quietly the 15 cents profit on every ounce of silver that they bought from this country and how, when they were trustees of the Indian masses, they could have pocketed this amount. The Honourable the Finance Member was rather naive when he said that this was the market price and, if they got more than the market price, what is there to complain about? I do not think he has put himself in a fair position in that respect. If this were bought outside the British Dominions, nobody would have any quarrel at all with it, but having bought it from India and having bought it in circumstances where India had no option, there is a clause in one of the Acts well known to lawyers where they say that when one man is in a position to dominate and the other man has no alternative but to obey, there is only one kind of influence that it can be called,—I say it quite confidently

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that on financial matters the British Government is in a position to dominate the will of the Government of India, and, whatever Sir George Schuster's opinions may be, he is not in a position to stand out against that. If in those circumstances this transaction has been carried out, and if the result is that a 15 cent profit over every ounce has been added to the British Treasury, that is something which at least on the floor of this House Members should protest against. And I venture to hope that I have the whole-hearted sympathy if not the avowed approval of the Finance Member and every Member on the Treasury Benches when I say that in this transaction India has been let down; that while it is perfectly true that if Great Britain had gone to the open market and bought it elsewhere, she would have got it for the same price and even cheaper and we would have no room to complain, still the transaction being what it is and the relationship between the two parties being notoriously what it is, I say that Great Britain does not come out in dazzling colours out of this transaction and Great Britain has not discharged the trust over which eloquent tributes have been paid by many members of the House of Commons and the House of Lords. And I venture to hope that this somewhat belated protest will not fall on deaf ears, and steps will be taken by which the *bania* share, as my friend, Mr. Pandya, said, of fifty-fifty of the profits may be allotted as between Great Britain and India; and we may have a communication from the Government of Great Britain in January next that they have reconsidered the position, and that out of the profits that they have made we have been credited with 50 per cent. As I said, I am not making any charges either against the Government of India or even against the India Office. In this matter it is the Government of Great Britain and the superior wisdom of the Treasury which is omnipotent in many respects,—except in regard to the Bank of England and the masterful Governor of the Bank of England,—which has prevailed and I venture to hope that my remarks and the opinions of the House will be carried to the authorities above, and that belated justice will be done to this country. Sir, I support the motion.

**The Honourable Sir George Schuster:** Sir, I will take the opportunity of replying to deal with one or two points which have been raised by my Honourable friend who has just spoken. As it is still fresh in my memory, I should like to reply at once on the point that he has made about that particular silver transaction. I really think that my Honourable friend, although I must say that he has done his utmost to be fair in this matter, has to some extent misrepresented the position. The position really was this: the United States, as all Honourable Members know, was itself in a very difficult position about this war debt payment. They have their own public opinion to consider in the United States, and although I think I am right in saying that a great many leading men in the United States would be only too glad to get the war debts question out of the way once and for all, they have to consider the public opinion of their own country. On that occasion they had to make some sort of arrangement about the payment of an instalment of the war debt, and they said: "We will not ask you for your full due: we will take a token payment, so that you do not go into default; and we shall not be asked to condone a default; but we will merely ask you to make a token payment which represents only a very small percentage of what is due from you". They then said: "We will take that token payment to be 10 million dollars, and, if you like to pay us in silver,

we will value the silver at 50 cents an ounce". And as the price of silver at the time was really only—let us say—about three-fourths of that figure, what it really amounted to was that they said: "We will take a token payment which is really the equivalent of 7½ million dollars". It was merely a way of putting it when they said "You give us silver at fifty cents an ounce". They had certain reasons for taking it in that form. I think it had certain advantages to them from the point of view of public opinion on their side, because the silver interests carry a certain amount of weight, and taking silver in that way, I should imagine, was favourably received by those particular interests. But it is not fair to say that the British Government took advantage of that opportunity to sell 20 million ounces at 50 cents. an ounce: they merely used silver as a vehicle for making a certain token payment. In those circumstances they had then to consider where they could acquire the silver at a reasonable price without artificially disturbing the market in a way which would have done nobody any good, and they started negotiations with the Government of India. Now, I am in the happy position of being able to disclaim any credit for this particular transaction, because I happened to be at sea at the time and I knew nothing about it until it was all over: so personally I can speak in an entirely disinterested way about it; but I did hear when I got to London precisely what happened. The Treasury asked somebody from the India Office to go round to see them and said: "Look here: we can get out of this token payment by handing over 20 million ounces of silver: are you prepared to do a deal with us?" The India Office said: "Yes. We are quite prepared to do a deal, but we have got the whip-hand of you and we are certainly not going to sell to you at the present market price: we are going to take advantage of this and do a good bit of business for ourselves". And they asked for certain terms. The Treasury absolutely refused and they came to loggerheads about it and eventually the Secretary of State himself went to see the Chancellor of the Exchequer about it; and it was arranged between those two persons—that was not the relation between a trustee and the *cestui que trust*—you had the Secretary of State representing the interests of India and fighting hard for those interests as an independent party dealing with a representative of the British Government—and I do ask Honourable Members to appreciate that when cases of that kind arise—I have seen a good many of them—those who represent India's interests in London do fight very hard indeed for those interests regardless of the interests of the British Government, of which the Secretary of State happens for the time being to be also a member. Now, there were various features in that agreement some of which I cannot disclose, but it was in fact a much more favourable agreement even than it looked on the surface. One particular feature was that, as it was rather anticipated that, when the news of this payment was published, it would have a stimulating effect on the price of silver, the India Office got a term put in the agreement that, if the price of silver went up within the next fortnight, it was to be added to the price which we had got. Therefore, in every way, I do think it is fair to say that our representatives in London drove a very good bargain and a very reasonable bargain; and if you admit that it was in our interests to sell silver at all, if you accept that policy, then they took advantage of that opportunity to get the last penny that they could squeeze out of the British Government over it. I hope my Honourable friend will take what I have said at its full value. I can assure him that as a business transaction India's interests were really well looked after, and to talk about &

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profit of 15 cents being made by the British Government is really to misrepresent this transaction, which was nothing more than at its highest a token payment. Now, that is the position on that particular matter.

My Honourable friend is quite right when he said that India is the first country to ratify this agreement. I find that no other Government has yet taken any action, but I understand that the United States will take early action on this matter.

Then my Honourable friend asked for information as to how far the various countries had gone in reaching agreement as to how the 35 million ounces was to be divided up between them. I have not got my notes that I took in London with me, and I dare say it would not be right for me to disclose the figures as to the quotas of the various countries, but I can tell my Honourable friend that they had already actually settled how the amount was to be divided up while they were still engaged on these negotiations in London; and concurrently with his talks with us Senator Pittman was carrying on negotiations with the other countries to settle their various quotas. Of course in all cases there is a chance that a particular Government may not ratify. I may tell my Honourable friend that apart from the United States which will take a very large proportion of the total, the next most important country was Mexico, and the other countries combined were not bound to take more than a comparatively small amount. The agreement, as my Honourable friend has noted, contains a provision that if any particular country does not ratify and take up its agreed quota, then the agreement may still hold good if some other country steps in to take over what it has refused. I think it is fair to regard this agreement mainly as one made between India on the one side and the United States on the other, and I have every confidence that the United States Government is going to see this thing through, whatever the other countries may do.

Then, my Honourable friend took up the point which I had made as regards the value of the silver which we had sold. I said that if we were comparing the prices which we realised in the past with the prices that are realisable today, one ought really to take into account the fact that over 11 millions that were realised were realised before the 20th September, 1931, when a pound sterling was worth the original quantity of gold; whereas today the pound sterling is only worth about 66 per cent. of that same quantity of gold. If, of course, we had put the proceeds into sterling, then the fact that we had sold at an earlier date would have made no difference; but I said I think we can fairly claim that a part of the proceeds of the silver sales was balanced by the acquisition of gold, because in the period during which we had realised about 11 millions sterling, we had actually acquired about 10½ crores worth of gold. I did not wish to push the argument further than that, because as my friend quite rightly pointed out, it is impossible to say exactly what went to buy that gold, whether it was the proceeds of silver sales or whether it was sterling funds which we raised in other ways, but I think it is fair to point out that we strengthened our gold resources by 10½ crores before September, 1931, and, as against that, we had realised silver to the value of about 11 million sterling.

Now, Sir, my friend then went on to deal with the way in which our assets should be held, and he made the point that when sterling went off gold, we did, in fact, suffer a loss of something like 80 per cent. on all our sterling holdings. I think that is hardly a fair way of putting

the matter. When you are considering what kind of assets you ought to hold, you must at the same time consider what are your liabilities. If your liabilities are in terms of sterling, then only assets which you can hold against those liabilities, which do not involve any speculative risks, are sterling assets. If you hold gold against your sterling liabilities, you may make a profit in gold in terms of sterling, but you may also make a loss, and, from the currency point of view, as long as we are on the sterling basis, the only currency resources we can hold which do not carry speculative risks are sterling assets. But it goes further than that; we have to consider not only the currency position and our obligations as the currency authority, but we have to consider the position of the Government and the country as a whole. Now, India is a country, which, as we all know, has a large amount of external obligations, external debt, both public and private, and I think it is probably correct to say that 99 per cent. of that external debt is in terms of sterling. Now, my friend has said that when sterling went off gold, we incurred an effective loss of something like 25 or 30 per cent. on our sterling holdings, but if he puts the matter in that way, then I would say to him that at the same time we really obtained 25 or 30 per cent. profit on about 350 million of our sterling obligations. Let us say that we were holding something like 35 millions of sterling securities in our currency reserves in September, 1931, and that because sterling depreciated by 30 per cent., we had an effective loss then of something like 12 million expressed in terms of gold. I would ask my friend to take into account on the other side that we also reduced the burden in terms of gold of our external debt by something like 120 millions in terms of gold on the same day, and that is a very important consideration. When Honourable Members think and talk about currency, I would ask them to remember that it so happens—and we are very fortunate in that respect,—it so happens that our obligations, both in regard to currency and debt, are all in terms of sterling, and therefore if the value of sterling depreciates, the burden of our debt is thereby lightened, and if we hold sterling assets in our reserves, then even though their value in terms of gold may be reduced, the gain may be far greater, from the lightening of the load of indebtedness which lies upon us. Those, Sir, I think, are all the points with which I deal now.

My friend from Madras, Mr. Vidya Sagar Pandya, who spoke before, asked for some assurance that the proceeds of the sales of silver would actually be invested in gold. Well, Sir, this House may have an opportunity to express its view on our policy for dealing with surplus silver stocks if it desires to discuss the proposals which we put before the Joint Select Committee on the Reserve Bank Bill in regard to this matter, where we have proposed the creation of a special reserve fund which we describe by the name of the silver redemption fund. If that fund is established, then, of course, it will be for Government to invest any proceeds of silver which is sold in a manner which at the time appears to be likely to be the most safe and the most profitable. What that manner will be must depend on the circumstances of the time.

My friend, the Leader of the Independent Party, is quite right when he says, to invest in gold at present is for us in India a highly speculative transaction. On the other hand, he is equally right in saying that in India there is a very strong sentiment, and that public confidence would be increased if our gold holdings were made larger. I think that is a factor which, even from a business point of view, ought to be taken into account and, no doubt, will be taken into account by Government; but, beyond that, I could not possibly go at present. And when my friend scoffs at

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the *bania* sentiment and the *bania* spirit, I would ask him to remember that it is our duty, the duty of us who are responsible for Government finance, to do business in the best way that we can, and where we see a chance of making profits, to make those profits; but, on the other hand, we quite agree that Government is not essentially a profit earning undertaking and that the safety of the country's resources must always come first.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That this Assembly recommends to the Governor General in Council that he do ratify the 'Memorandum of Heads of Agreement entered into by the Delegates of India, China and Spain as holders of large stocks or users of silver, and of Australia, Canada, the United States, Mexico and Peru as principal producers of silver, at the Monetary and Economic Conference held in London, in July 1933'."

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 23rd November, 1938.

## LEGISLATIVE ASSEMBLY.

*Thursday, 23rd November, 1933.*

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

### QUESTIONS AND ANSWERS.

#### ILLNESS OF SAROJ RANJAN ACHARYA, A DETENU IN THE DEOLI DETENTION CAMP.

1120. \*Mr. S. C. Mitra: With reference to the reply to parts (m) and (n) of my starred question No. 171, dated the 29th August, 1933, will the Honourable Member in charge of the Home Department be pleased to state whether any decision has since been arrived at by the Government of Bengal in regard to the home internment of detenu Saroj Ranjan Acharya lodged in Deoli Detention Camp? If so, will he be pleased to state the purport of the decision?

**The Honourable Sir Harry Haig:** No decision has yet been reached.

#### DEATH OF SAILES CHANDRA CHATTERJEE IN THE DEOLI DETENTION CAMP.

1121. \*Mr. S. C. Mitra: (a) Is it a fact that detenu Sailes Chandra Chatterjee, son of Bisweswar Chatterjee, pleader, Comilla, who has recently been transferred from Hijli to Deoli Detention Camp, expired suddenly in the Detention Camp?

(b) Will Government be pleased to state:

(i) when did he die?

(ii) from what disease was he suffering and for what period?

(c) When was the news of his death communicated to his relations? Were the relations informed of the cause of his death and, if not, why not?

(d) Is it a fact that a few days before his death he wrote to his relations that he was all right?

(e) Who treated him during his illness?

(f) Why intimation was not given to his relations about the serious condition of his illness?

(g) What was the general condition of his health at Hijli?

(h) Why was he transferred from Bengal?

(i) Were there not other similar cases where the news of the serious illness of detenus was not conveyed to their relations and death was announced suddenly?

**The Honourable Sir Harry Haig:** (a), (b) and (e). The detenu died in the jail hospital on October 17, from malignant tertian malaria. The attack began on October 14th, when the Sub-Assistant Surgeon saw the patient and prescribed for him. The Assistant Surgeon was called in on the morning of October 16, and the same evening the patient was removed to hospital. The Medical Officer himself was in charge of the case from the time when the patient was admitted to the hospital.

(c) Immediately after the detenu's death the District Magistrate of Comilla was asked by telegram to inform his father.

(d) This is quite probable, as the attack of malaria commenced only on the evening of the 14th.

(f) There was no reason to anticipate a fatal end to the illness.

(g) While at Hijli this detenu suffered from occasional attacks of malaria which were followed by weakness and some loss of weight. Apart from this his health was normal.

(h) His transfer from Bengal was made because he was an important member of the terrorist party and his presence was considered a menace to the province.

(i) I am not aware of the cases to which the Honourable Member refers.

**Mr. S. C. Mitra:** Is it a fact that fever subsided entirely on the morning of the 17th, but that intravenous injection was given at 9 o'clock within an hour and a half after which he died?

**The Honourable Sir Harry Haig:** I think I must ask the Honourable Member to give me notice of that. I have got a fairly detailed report of the symptoms, but I cannot give him an answer at once on a detailed point like that.

**Mr. S. C. Mitra:** Will the Honourable Member please refer to my question, part (c), where I wanted to know the causes of his death? I find nothing in the Honourable Member's answer in respect of that part of the question.

**The Honourable Sir Harry Haig:** The cause of his death was malignant tertian malaria.

**Mr. S. C. Mitra:** Will Government explain why, when his brother wanted to know the nature of the treatment and what medicines were applied, there was no reply from the Superintendent of the Jail?

**The Honourable Sir Harry Haig:** Where was his brother?

**Mr. S. C. Mitra:** The detenu's brother? He was at Comilla, in his own residence. He wrote to the Superintendent of the Jail to know the nature of the disease, what treatment he had,—all the details. But no reply was given by the Superintendent of the Jail, and all attempts by a neighbour of his, who is also a detenu, to give information were stopped by the censor so that it was impossible for this gentleman to understand, whether the detenu had proper treatment before he died in the jail.

**The Honourable Sir Harry Haig:** I have no information about that, but I understand that the facts were perfectly well known in the jail and that no complaints, I think I am right in saying, were made by his friends about the treatment.

**Mr. S. C. Mitra:** Are not Government aware that on the morning of the 17th the fever subsided, intravenous injection was given at 9 and he died at 10-30? Is it not suspicious that the drug itself was poison and, being old medicine, was not in proper condition otherwise the man who had his fever down in the morning and had had only three days fever died all of a sudden within an hour and a half?

**The Honourable Sir Harry Haig:** He had a very high temperature. I think possibly it had fallen on the morning of the 17th, but, I am afraid, if the Honourable Member wants detailed information on points like that, I must ask him to give me notice.

**Mr. S. C. Mitra:** Is it a fact that he had fever on the 14th October at night, on the 15th October his fever was 105 degrees and that he was not taken to hospital? On the 16th his fever varied from 103 to 105 degrees and then he was taken to hospital. At night a purgative was given and there was a sudden fall of temperature. On the 17th morning he had no fever and quinine intravenous injection was given at 9 o'clock, and he died sometime after 10.

**The Honourable Sir Harry Haig:** All I can say is that we have had a full medical report which has been forwarded on by the Superintendent of the Jail and the Chief Commissioner and that they are fully satisfied that the treatment was adequate and skilful.

**Mr. S. C. Mitra:** May I take it that Government have no objection to give a copy of that report for the satisfaction of his relations that he was properly treated and that he died a natural death? What is the objection?

**The Honourable Sir Harry Haig:** I will certainly ask the Chief Commissioner whether details cannot be furnished to his relatives.

**Mr. S. C. Mitra:** May I tell the Honourable Member that the detenu's brother, Paresh Chandra Chatterjee, telegraphed to the Superintendent, Deoli Jail, to send his fever chart and also the particulars of the medicine applied and the causes forcing application of an intravenous quinine injection, but that no reply has been received as yet. I am also told, "whole paragraph or the lines containing description of the nature of his illness has been erased by the authorities, and permission has been refused to send the ashes and skull bone to us". Can Government explain why there is so much anxiety to hush up these matters when there is a legitimate grievance?

**The Honourable Sir Harry Haig:** I do not think that there is any kind of anxiety to hush up anything. I have already assured the Honourable Member that I will ask the Chief Commissioner whether reasonable details cannot be communicated to the relatives.

**Dr. Ziauddin Ahmad:** Did the report mention that the deceased had no temperature on the morning of the 17th?

**The Honourable Sir Harry Haig:** No, Sir, certainly not. The fever had not disappeared; it was lower, I understand, on the morning of the 17th.

**Mr. K. C. Neogy:** Apart from asking the Superintendent as to whether reasonable details could be furnished to relatives of the deceased in this particular case, will Government consider the desirability of adopting a general rule that, whenever deaths take place of detenus, sufficient details should, as a matter of fact, be given to the relatives, so that there may not be any necessity of our having to put so many questions in the House for eliciting information?

**The Honourable Sir Harry Haig:** I will certainly make that suggestion to the Chief Commissioner.

**Sardar Sant Singh:** In view of the allegations which were made in the questions by my Honourable friend, Mr. Mitra, may I know whether any inquest was held on the body of the deceased after his death?

**The Honourable Sir Harry Haig:** Yes, a *post-mortem* was held.

**Sardar Sant Singh:** May I know what was the result of the *post-mortem*?

**The Honourable Sir Harry Haig:** It was to confirm the diagnosis that he had died of malaria.

**Mr. S. C. Mitra:** By whom was the *post-mortem* examination held?

**The Honourable Sir Harry Haig:** I presume by the medical officer.

**Mr. S. C. Mitra:** Is it the same man who treated him?

**The Honourable Sir Harry Haig:** Yes, no doubt, the medical officer who is in charge of the medical arrangements for the jail.

**Mr. Lalchand Navalrai:** There is always a chart showing the patient's condition and that must be in the office of the medical officer. Will that also be placed on the table, or will information be given with regard to it to the relatives?

**The Honourable Sir Harry Haig:** I do not think it is necessary to place any thing on the table of the House. I have already stated that I will ask the Chief Commissioner to communicate reasonable details to the relatives.

**Mr. B. Sitaramaraju:** Will Government consider the desirability of having the *post-mortem* conducted by a person other than the person who treated the patient?

**The Honourable Sir Harry Haig:** No, certainly not.

**Mr. B. Sitaramaraju:** Why?

**The Honourable Sir Harry Haig:** I do not understand the point of the suggestion.

**Mr. B. Sitaramaraju:** I was saying that it is desirable to have the *post-mortem* conducted by a person other than the one who had been treating the patient.

**The Honourable Sir Harry Haig:** I cannot agree to the suggestion which appears to underlie the Honourable Member's question.

**Mr. F. E. James:** May I put a supplementary question? Will the Home Member take steps to give the same publicity to the facts in regard to this case that is being given to the questions that are asked, which contain inferences and allegations?

**The Honourable Sir Harry Haig:** The Honourable Member, I take it, refers to the suggestion that the detenu died on account of some injection given to him. I will certainly see that that point is inquired into definitely and a statement is made on the subject.

**Mr. M. Maswood Ahmad:** Were the relatives of the expired man informed of the illness before his death?

**The Honourable Sir Harry Haig:** I have already answered that question. There was no reason to anticipate that the illness would end fatally, and they were not informed beforehand.

#### RETRENCHMENT OF CERTAIN CLASSES OF OFFICERS IN THE POSTS AND TELEGRAPHS DEPARTMENT.

1122. \***Mr. S. C. Mitra:** (a) Will Government be pleased to furnish a statement showing the number of (i) gazetted officers, (ii) Telegraph Masters and (iii) Telegraphists, retrenched as a result of the recommendations of the Telegraph Establishment Enquiry Committee?

(b) If the answer to part (a) be in the negative, will Government be pleased to state the reason for not giving effect to the recommendations?

**The Honourable Sir Frank Noyce:** (a) and (b). Government have not yet taken action on the recommendations of the Telegraph Establishment Enquiry Committee of 1932-33, as it was considered desirable to allow ample time for the representative telegraph service organisations to submit their views which have only recently been received.

**Mr. Lalchand Navalrai:** Have any new entrants been taken in this Department since the report of the Retrenchment Committee?

**The Honourable Sir Frank Noyce:** I have no doubt that the reply to my Honourable friend's question is in the negative, but I cannot give him offhand an absolutely definite assurance on the point.

**NEW SCALE OF PAY OF THE GAZETTED POSTMASTERS.**

1123. \***Mr. S. C. Mitra:** Will Government be pleased to state whether the new scale of pay of the gazetted Postmasters, *viz.*, Rs. 240—600, includes two grades of Rs. 250—350 and Rs. 350—650? If so, will Government be pleased to state what will be the number of those appointments?

**The Honourable Sir Frank Noyce:** The new scale of pay of Rs. 240—600 is for gazetted postmasters and replaces the scale of Rs. 350—650. It does not include the existing scale of Rs. 250—350 for non-gazetted Postmasters. The latter part of the question does not arise.

**INCOME FROM SALE OF POSTAGE STAMPS AND BOOKING OF TELEGRAMS.**

1124. \***Mr. S. C. Mitra:** Will Government be pleased to state:

- (i) the total income from sale of postage stamps from the 1st April, 1933 to the 30th September, 1933 and from the 1st April, 1931, to the 30th September, 1931; and
- (ii) the total income of booking of telegrams during the periods mentioned in part (i)?

**The Honourable Sir Frank Noyce:** (i) The total income from the sale of postage stamps during the period from the 1st April, 1933, to 30th September, 1933, was Rs. 3,88,97,000, while that during the same period of 1931 was Rs. 3,78,39,000.

(ii) As telegrams booked in India are paid for both in postage stamps and in cash, absolutely accurate figures for portions of a financial year are not available. The estimated approximate amounts of telegraph message revenue for the same periods of 1933 and 1931 were Rs. 95,86,000 and Rs. 92,99,000 respectively.

**AMOUNT CREDITED TO THE POSTS AND TELEGRAPHS DEPARTMENT ON ACCOUNT OF PENSIONARY CHARGES.**

1125. \***Mr. S. C. Mitra:** (a) Will Government be pleased to state what amount has been credited to the Posts and Telegraphs Department on account of pensionary charges which have been reduced from 8·2 per cent. to 7·5 per cent. with retrospective effect from the year 1925-26, but which was charged at 8·2 per cent. in previous years?

**The Honourable Sir Frank Noyce:** A total sum of Rs. 24,49,680 was credited to the Posts and Telegraphs Department on account of overpayments of pensionary contributions, in respect of the six years 1925-26 to 1930-31 and the consequential decrease in the debit of interest. The reduction in the rate also led to a saving of Rs. 5,45,027 in the accounts for 1931-32.

**CLAIM OF THE TELEGRAPH DEPARTMENT AGAINST RAILWAYS FOR RENT OF TELEGRAPH WIRES.**

1126. \***Mr. S. C. Mitra:** (a) Will Government be pleased to state what action has been taken to settle the claim of the Telegraph Department against Railways for rent on account of Telegraph wires?

(b) If not, why not?

**The Honourable Sir Frank Noyce:** (a) The claim preferred by the Posts and Telegraphs Department against the Railway Department was discussed

at a meeting held on the 8th May, 1933, between the representatives of the two Departments and certain tentative decisions were reached. One of these decisions was that the Posts and Telegraphs Department should undertake a recalculation of the rent on the basis of the latest available figures. These calculations are being made and after they have been completed the question will be further discussed with the Railway Board.

(b) Does not arise.

**Dr. Ziauddin Ahmad:** Will the Honourable Member lay a copy of the result of the discussion before the Assembly or in the Library?

**The Honourable Sir Frank Noyce:** The discussions are purely inter-departmental.

**Dr. Ziauddin Ahmad:** I am referring to the final decision when it is arrived at.

**The Honourable Sir Frank Noyce:** When a decision has been arrived at, it should certainly be possible to communicate it in some form to the House.

#### MONTHLY DEDUCTIONS MADE BY GOVERNMENT FROM THE PENSIONS OF THE CIVIL PENSIONERS WHO HAD COMMUTED A PORTION OF THEIR PENSIONS.

1127. \***Mr. Gaya Prasad Singh:** Will Government be pleased to state:

- (a) whether among the civil pensioners who had commuted a portion of their pensions there have been cases where the monthly deductions from their pensions have been made by Government even after the full amounts of commutation received by the pensioners had been paid back by way of those deductions;
- (b) whether cases exist where the amounts paid back to Government by pensioners have not only equalled the amounts of commutation advanced to them but have also exceeded them;
- (c) if so, whether Government have considered the hardship thus caused to the pensioners;
- (d) whether they are aware that the Ceylon Government have recently afforded relief to their pensioners in similar circumstances;
- (e) whether some of the European, Anglo-Indian and Indian pensioners in the Madras Presidency have memorialised the Government of India to restore to them the full pension sanctioned at the time of retirement where the full amounts of commutation have been paid back, and to issue orders to refund to each pensioner the excess paid by him over and above the amount of commutation received by him;
- (f) if such memorials have been received, whether Government propose to issue favourable orders thereon?

**The Honourable Sir George Schuster:** (a), (b) and (c). It is quite possible that there are cases of Government servants who have commuted a portion of their pension living longer than was allowed for in the actuarial calculations on which the commutation was based. In such cases it is

possible that a pensioner is ultimately the loser by having commuted a portion of his pension but there can be no question of hardship to him because commutation is purely voluntary. On the other hand, there are many cases of persons who have commuted a portion of their pension dying much sooner than was allowed for in the calculations and in such cases Government is the loser. It is not strictly speaking correct to say that Government make monthly deductions from the pensions of those retired Government officials who commute a portion of their pensions. The position is that such officers decide of their own free will to accept the concession of giving up a portion of their pension and receiving instead a capitalised lump sum payment. The transaction so far as that portion of the pension is concerned is completed when the commutation is sanctioned and the amount paid.

(d) Government have no definite information in the matter.

(e) and (f). Memorials on the subject were received and rejected.

**Mr. Gaya Prasad Singh:** Is it not a fact that the amount of commutation is recouped by the Government in the course of a fixed period and that there is no interest thereafter?

**The Honourable Sir George Schuster:** I am afraid I have no information which would enable me to answer my Honourable friend.

**Mr. Gaya Prasad Singh:** What justification is there for Government reducing the pension even after the whole of the commutation amount has been recovered?

**The Honourable Sir George Schuster:** I have already explained to my Honourable friend that there is no question of paying a reduced pension. When an official desires to commute, he gives up a portion of his pension of his own free will and, in place of that, he receives a lump sum payment.

#### RETIREMENT OF CERTAIN DEPUTY ASSISTANT CONTROLLERS OF MILITARY ACCOUNTS BEFORE THEY ATTAINED THE AGE OF 55.

1123. \***Mr. Jagan Nath Aggarwal:** (a) With reference to the statement made by the Honourable the Finance Member that it was not the policy of Government to retire those officers who had not attained the age of 55, but had rendered 30 years service, is it a fact that certain Deputy Assistant Controllers of Military Accounts have been forced by the Military Accountant General to go on leave preparatory to retirement before they attained the age of 55?

(b) Is it also a fact that the above order has not uniformly been made applicable to all officers, and that there are still some men who have completed their 30 years' service but have not been forced to go?

(c) Is it a fact that those men who have been ordered to go did not come under the last retrenchment, as they were considered fit in all respects for retention in service?

(d) Is it a fact that these officers have not been granted any gratuity or travelling expenses back to their places of residence, in consequence of their having been forced to retire before time?

(e) If so, is it proposed to compensate them to make up their monetary loss, keeping in view that these officers had taken up insurance policies maturing at the age of 55, and have liabilities to meet towards the payment of premia upto that age? If so, how?

**The Honourable Sir George Schuster:** (a) Certain officers of the category mentioned have been required to retire under the orders of the Government of India with reference to Note 1 to Article 465-A, Civil Service Regulations.

(b) Yes; these retirements were not in pursuance of any general policy but were carried out for special reasons in each case.

(c) The fact is as stated in the first part of the question, but this does not justify the inference in the second part.

(d) Yes.

(e) As these officers were retired under the provisions of Note 1 to Article 465-A, Civil Service Regulations, they have no claim to any special compensation.

#### INDEBTEDNESS OF THE SUPERINTENDENT OF PRINTING AND STATIONERY, NORTH WESTERN RAILWAY, LAHORE.

1129. \*Shaikh Sadiq Hasan: (a) Are Government aware that there is in the employment of the North Western Railway an officer who is Superintendent of Printing and Stationery at Lahore, and who has been incurring large debts for which attachments against his salary have been made by civil courts?

(b) Are Government aware that this officer was recently sued in a civil court at Lahore for a sum of money which he took as a loan from one Sheik Fazal Ahmed, a railway contractor, and executed a pronote in favour of the latter?

(c) Are Government aware that this Sheik Fazal Ahmed supplied various materials as a contractor to the Printing and Stationery Department, North Western Railway, of which department the Superintendent is the head?

(d) Are Government aware that no action was taken against this officer by the authorities concerned for placing himself under indebtedness to a person who was a railway contractor and who had dealings with him in his official capacity?

(e) Are Government aware that this officer before proceeding on leave out of India in October, 1931, drew as salary an amount less than Rs. 100, per mensem as a result of several attachments executed by Courts and that his salary was Rs. 1.180, or thereabouts including the overseas allowance?

(f) Are Government aware that in the civil suits brought against him in the Courts at Lahore he produced his own subordinates as his witnesses?

(g) If the answers to the above questions be in the affirmative, do Government propose to take any action against this officer in order to stop the scandalous state of affairs prevailing in an important department of State Railways?

**Mr. P. R. Rau:** I have called for information and will place a reply on the table in due course.

**NON-EMPLOYMENT OF RETRENCHED PERSONS IN THE SURVEY OF INDIA  
DEPARTMENT.**

**1130. \*Shaikh Sadiq Hasan:** (a) Is it a fact that fresh recruitment for filling seven posts in Class II Service, Survey of India, from which about 28 officers were recently retrenched, is contemplated?

(b) Are Government aware that not even a single retrenched person is being re-employed, that most of them are still on leave, and that there are available at least four junior Indian officers with service of 10 years and below?

(c) Is it not a fact that not a single Anglo-Indian officer below 20 years' service was retrenched, and that all Anglo-Indian probationers were saved from retrenchment?

(d) Is it not a fact that recruitment now to be made is on similar lines as before, and that among the retrenched junior Indian officers two were first in their respective competitive examinations?

(e) Is there any definite standard laid down in the department and was any common test applied in selecting officers for retrenchment? If all these juniors were retrenched for being "below standard", how is it that they were allowed to continue and were even granted the usual increments? In what way were they found to be below standard even for the normal work of the Department, and when was the deficiency noticed?

(f) Is the department opening out again, and have Government held that these junior Indian officers are utterly incapable of improvement if re-employed?

(g) Is it a fact that the Government of Madras have moved the Government of India in the matter of re-employing retrenched men? What are the views of Government on the subject?

(h) Is it a fact that other departments and Local Governments are viewing the case of the retrenched, specially that of the juniors, sympathetically, and if so, why does the Survey Department refuse to re-employ these four Indians?

**Mr. G. S. Bajpai:** (a), (f) and (h). Seven probationers are being recruited to fill, after due training, the vacancies which are expected to occur in future years. As regards the re-employment of retrenched officers, the Honourable Member's attention is invited to the reply given by me on the 1st September, 1933, to part (c) of Mr. B. R. Puri's starred question No. 346.

(b), (c) and (d). The Honourable Member's information is correct.

(e) The common test applied in selecting officers for retrenchment was the record of their work over a number of years. The selection was made on the advice of a selection board which met in November, 1931, at Calcutta and was presided over by the Surveyor General. The conditions which govern continuance in service and grant of increments to Government servants in normal times cannot apply when retrenchment becomes necessary in pursuance of an economy campaign. The Honourable Member will no doubt appreciate that in such abnormal circumstances the only principle which can suitably be followed is to retain the more and retrench the less efficient.

(g) I have not been able to trace any such communication from the Government of Madras. The Government of India had already considered

at some length the question of re-employing some of the retrenched officers in Class II of the Survey of India before sanctioning the recruitment of new candidates.

**PROLONGATION OF THE PRESENT LIFE OF THE LEGISLATIVE ASSEMBLY AND OF THE PROVINCIAL LEGISLATIVE COUNCILS.**

1131. \***Mr. Lalchand Navalrai:** Will Government be pleased to state if they have decided to prolong the present life of the Legislative Assembly? If so, for how long?

**The Honourable Sir Brojendra Mitter:** The Honourable Member is referred to the reply given by me to part (a) of Mr. Bhuput Sing's starred question No. 768 on the 20th March, 1933.

**Mr. Lalchand Navalrai:** May I know from the Honourable Member what is the position at present?

**The Honourable Sir Brojendra Mitter:** The position is the same as it was when the Governor General addressed the House.

**Mr. M. Maswood Ahmad:** Is it a fact that the life of the Assembly is to be extended only by one year?

**The Honourable Sir Brojendra Mitter:** Government are not concerned in the matter. It is a matter for the Governor General.

**Mr. Lalchand Navalrai:** Is the Honourable Member aware that the life of the Provincial Councils has been extended by one year. Why is there delay in the announcement in regard to the Assembly?

**The Honourable Sir Brojendra Mitter:** I have already said that this is not the concern of the Government of India. It is the concern of the Governor General.

**Mr. Lalchand Navalrai:** The extension can be ordinarily given by the Governor General in Council?

**The Honourable Sir Brojendra Mitter:** I would refer my Honourable friend to section 63D of the Government of India Act.

**Mr. M. Maswood Ahmad:** Do Government propose to recommend to the Governor General that the Assembly be extended by one year or by more than one year?

**The Honourable Sir Brojendra Mitter:** Government do not propose to make any recommendation one way or the other.

**Mr. S. C. Mitra:** Do Government propose to see that an early announcement is made, so that Members may know what the life of the Assembly is going to be.

**The Honourable Sir Brojendra Mitter:** That is not a matter for the Government. It is a matter entirely for the Governor General. To refresh

the memory of Honourable Members I may read a passage from the Message of the Governor General to this House:

"I have, therefore, decided not to dissolve the Assembly or to hold the general election this year. I propose, when the time comes, to exercise my powers under section 63D of the Government of India Act and to extend the life of this Assembly for such period as may seem expedient in the light of the conditions then prevailing."

**Mr. Lalchand Navalrai:** May I request the Honourable Member, therefore, to request the Viceroy to exercise his pleasure and give us a decision soon?

**Mr. President** (The Honourable Sir Shammukham Chetty): I know this is a matter in which Honourable Members of this House are deeply and vitally interested. It is felt that Honourable Members ought to know the life-time of the Assembly so that, if an election is to take place in the near future, they may take steps to prepare their constituencies for the election. The Honourable the Leader of the House is technically correct when he says that this is purely a matter for the Governor General. As a matter of fact, I might inform Honourable Members that I have taken up this matter with His Excellency the Governor General and I expect that an announcement will be made very shortly. (Hear, hear.)

#### DATE OF APPOINTMENT OF THE ADDITIONAL AND THE ASSISTANT INCOME-TAX OFFICERS, KARACHI.

1132. \***Mr. Lalchand Navalrai:** (a) Will Government be pleased to state the date from which the Additional Income-tax Officer, Karachi was appointed?

(b) Will Government be pleased to state the date from which the Assistant Income-tax Officer, Karachi was appointed?

**The Honourable Sir George Schuster:** The attention of the Honourable Member is invited to the reply I gave to part (a) of his starred question No. 79 on the 28th August, 1933.

#### DOUBLE ASSESSMENT MADE BY THE INCOME-TAX OFFICERS, KARACHI.

1133. \***Mr. Lalchand Navalrai:** (a) Will Government be pleased to state if it is a fact that the Additional Income-tax Officer, Karachi, framed assessments against parties who had already been assessed by the permanent Income-tax Officer and likewise by the Assistant Income-tax Officer, Karachi?

(b) Will Government be pleased to state the number of cases in which each of the two officers framed double assessments for 1931-32 and 1932-33 against parties who had been already assessed or exempted?

(c) Will Government be pleased to lay on the table of this House a statement showing the number of cases in which double proceedings were taken?

(d) Will Government be pleased to state if any representations were made to the Assistant Commissioner of Income-tax or the Commissioner of Income-tax, Bombay Presidency and Aden, in this behalf? If so, what was the action taken?

**The Honourable Sir George Schuster:** (a) Yes.

(b) 18.

(c) The number of cases in which such proceedings were started is 45.

(d) Representations were received and the double assessments were cancelled.

#### PETITIONS OF APPEAL AGAINST ASSESSMENTS OF INCOME-TAX IN SIND.

1134. \***Mr. Lalchand Navalrai:** Will Government be pleased to call for and lay on the table of this House a statement showing for each of the three years ending 31st March 1931, 1932 and 1933 the number of petitions of appeal against assessments of income-tax, in which no hearing was given simply because in the opinion of the Assistant Commissioner of Income-tax in Sind the assessments fell under section 28 (4)?

**The Honourable Sir George Schuster:** The information required is not on record and could be compiled only at an expenditure of time and labour that would not be justified by the value of the results.

#### APPEALS AGAINST ORDERS PASSED BY INCOME-TAX OFFICERS IN THE MATTER OF REGISTRATION OF FIRMS IN SIND.

1135. \***Mr. Lalchand Navalrai:** (a) Will Government be pleased to state if it is a fact that in Sind no uniform practice is being observed, in entertaining appeals against orders passed by Income-tax Officers in the matter of registration of firms?

(b) Is it a fact that appeals have been admitted in some cases by the Assistant Commissioner of Income-tax, Sind, and disallowed in others because so far the legislature has not vested in the Assistant Commissioner the power to entertain such appeals?

(c) If the replies to parts (a) and (b) be in the affirmative, what steps do Government propose to take to make the practice uniform?

**The Honourable Sir George Schuster:** (a) and (b). Prior to the passing of the Indian Income-tax (Second Amendment) Act, 1933 in September, 1933, no appeal lay against an order of an Income-tax Officer refusing to register a firm and the practice followed in Sind was as far as can be ascertained uniformly in accordance with the law.

(c) The Act as amended in September last now gives a right of appeal against such orders and no question of an Assistant Commissioner refusing to entertain an appeal can arise.

#### SUPPLY OF COPIES OF ORDERS PASSED UNDER CERTAIN SECTIONS OF THE INDIAN INCOME-TAX ACT.

1136. \***Mr. Lalchand Navalrai:** (a) With reference to paragraph 73 of the Income-tax Manual providing for the supply of copies of orders passed under section 28, will Government be pleased to state if any rules have been framed in regard to supply of copies of orders passed by the Assistant Commissioner of Income-tax under sections 33, 32, 28, 27, 26-A and 28-A?

(b) Will Government be pleased to state if in respect of copies issued by the officers of the Income-tax Department other than those referred to in paragraph 73 of the Income-tax Manual, copying fees are payable under article 24, Schedule I, of the Indian Stamp Act?

**The Honourable Sir George Schuster:** (a) Orders were recently issued by the Central Board of Revenue directing all officers concerned to follow the practice that had already been adopted in some Provinces of supplying copies of appellate orders free of copying charges. I will ask the Board to consider the question of extending this to orders passed under sections 23A, 26, 27 and 28.

(b) Copies are not liable to stamp duty under Article 24, Schedule I, to the Indian Stamp Act unless they are certified to be true copies; and officers have been instructed not so to certify copies supplied to assesseees for their private use.

**Mr. Lalchand Navalrai:** I understand the Honourable Member is going to make a recommendation to the Board with regard to sections 23A, 26, 27 and 28, but what about 32 and 33?

**The Honourable Sir George Schuster:** I gave my Honourable friend an assurance as regards 23A, 26, 27 and 28. I gave him no assurance as regards 32 and 33.

**Mr. Lalchand Navalrai:** May I request the Honourable Member to give me an assurance with regard to them too?

**The Honourable Sir George Schuster:** I think my Honourable friend might be satisfied with what I have already promised him.

**Mr. Lalchand Navalrai:** I will be satisfied for the present.

#### AMENDMENT OF SECTIONS 30 AND 32 OF THE INDIAN INCOME-TAX ACT.

1137. \***Mr. Lalchand Navalrai:** (a) Will Government be pleased to state if they propose to amend section 32 of the Indian Income-tax Act in order to provide for appeals being preferred in respect of all kinds of orders by Assistant Commissioners of Income-tax? If not, why not?

(b) Will Government be pleased to state if they propose to amend section 30 of the Indian Income-tax Act in order to provide for appeals being preferred against all kinds of orders made by Income-tax Officers? If not, why not?

**The Honourable Sir George Schuster:** The answers to both parts of the question are in the negative.

#### ALLEGED DISTRESSED CONDITION OF INDIANS IN THE MALDIV ISLANDS.

1138. \***Mr. Lalchand Navalrai:** (a) Will Government be pleased to state if they are aware of the alleged distressed condition of the Indians, specially the Bohra community, residing and trading in the Maldiv Islands, as referred to in a memorandum on the present trade situation in the Maldives, dated the 18th August, 1933, a copy of which has been supplied to the Department concerned?

(b) Are Government aware that owing to the trade jealousy, the Bohras are maltreated and are denied the usual rights of citizens?

(c) Do Government propose to take suitable steps to assist them in getting their rights restored and the unnecessary restrictions and harassment imposed on them removed?

**Mr. G. S. Bajpai:** (a) Yes.

(b) and (c). The Government of India are informed that the Government of Ceylon are trying to bring about an amicable settlement between the Maldivian Government and the Borah merchants. The Honourable Member may rest assured that the situation will be carefully watched.

**Mr. Lalchand Navalrai:** May I know if there is some truth in the representations that have been made?

**Mr. G. S. Bajpai:** Well, Sir, I am not in a position to say what element of the truth there is in these complaints. What I do know is that the Government of Ceylon arranged a conference between the representatives of the Borah community and the Maldivian Government in order to bring about an amicable settlement.

#### ASSESSMENT OF DIESEL FUEL OIL IMPORTED BY THE NATIONAL PETROLEUM COMPANY OF BOMBAY.

1139. \***Mr. K. P. Thampan:** (a) Will Government be pleased to state whether it is a fact that the Diesel fuel oil imported by the National Petroleum Company of Bombay is being assessed by the Customs authorities under Section 40/75 of the Indian Customs Tariff, and that similar type of oil was assessed under Section 38C/41 (2) for the last several years?

(b) What other kinds of Diesel Oil Fuel are imported into this country and what is the rate charged on them?

(c) Are there any special reasons for according this discriminative treatment to the oil imported by National Petroleum Company of Bombay?

**The Honourable Sir George Schuster:** Serial Number 38C (41) (2) of the Import Tariff Schedule relates to oil flashing below 150 degrees such as is not ordinarily used except as fuel or for some sanitary or hygienic purpose. Certain oil imported by the National Petroleum Company of Bombay, which was formerly assessed under this item, has recently been assessed under Serial Number 40 (75) as it was held by the Collector of Customs also to be ordinarily used for other, namely illuminating, purposes.

(b) Many grades of Diesel fuel oil are imported into India. Only those which the Collector of Customs finds are also ordinarily used as illuminants are assessed to duty under Serial Number 40 (75) at 25 per cent. *ad valorem*.

(c) No discriminative treatment has been applied to the National Petroleum Company.

**Mr. K. P. Thampan:** Is it a fact that the same identical oil was imported by the Standard Oil Company for several years and that the Government did not care to assess it at a higher rate then?

**The Honourable Sir George Schuster:** I have no knowledge of the facts to which my Honourable friend refers. Obviously the Standard Oil Company could not have imported the same identical oil as was imported by the National Petroleum Company. It is possible that they may have got oil through which was not found out by the customs officers, but I have no accurate information on that point.

**Mr. Lalchand Navalrai:** May I know if this very oil was being charged under item 40 (75) for several years?

**The Honourable Sir George Schuster:** I am not quite sure that I understand my Honourable friend's question. But we shall be dealing with the whole of this matter very fully in connection with the Bill which I introduced into the Assembly on Tuesday and which comes up for consideration on a further motion tomorrow.

**Mr. Lalchand Navalrai:** I only wanted to bring it to the Honourable Member's notice that this very oil which is now being considered to be an illuminant was being charged as not being an illuminant for several years by the customs officers.

**The Honourable Sir George Schuster:** That may be so, but there is no doubt that a practice has recently grown up for importing oil of this kind and selling it definitely as an illuminant.

**Mr. Lalchand Navalrai:** May I know if there are actual experts placed on this duty to examine the oil in the customs offices?

**The Honourable Sir George Schuster:** I think my Honourable friend might wait until we come to debate the measure dealing with this subject.

**Mr. Lalchand Navalrai:** I will do so.

#### DIESEL OIL DISTRIBUTED BY THE NATIONAL PETROLEUM COMPANY OF BOMBAY.

1140. \***Mr. K. P. Thampan:** (a) Will Government be pleased to state whether it is a fact that the Diesel oil distributed by the National Petroleum Company of Bombay is charged at a high rate, i.e., the rate for kerosine oil, by the Indian Railways, and that it is chargeable at a cheaper rate (C-S rate under I. R. G. classification of goods No. 17)?

(b) Is it a fact that this is done on the ground that the oil is of Russian or Roumanian origin?

(c) Are the Railway Administrations competent and authorised to enforce this discriminative rate?

(d) Was the same rate charged when the Standard Oil Company used to distribute Russian oil in this country during the past several years?

**Mr. F. R. Rau:** (a) to (c). The position is that the oil in question was originally charged at the rate for kerosine on the ground that it was not accepted by the Customs authorities as ordinary liquid fuel used exclusively as a fuel and it was believed that it was being used also as an illuminant. The decision had nothing to do with the country of origin of the oil in question. On the matter being brought to the notice of the Railway Board, the Indian Railway Conference Association was consulted, and according to their recommendation it has since been decided by railways to charge the oil in question at the C/S Schedule rates.

(d) Prior to July, 1932, liquid fuel and kerosine oil were charged at the same rate and the question did not arise.

## IMPORT OF RICE INTO INDIA.

**Mr. M. Maswood Ahmad:** (a) Are Government aware of the quantity of rice that has been imported into India from the 1st April, 1933 up to the 31st October, 1933?

(b) Will Government be pleased to state whether they are aware that the rice imported into India recently is the rice which was exported from India during the last several years?

(c) Are Government aware of the rate per rupee at which the rice has been imported into India?

(d) Are Government aware that on account of the recent import of rice the price of rice in India has gone down?

(e) Are Government aware that the depreciation of the yen and its exchange with the rupee has encouraged the recent import of rice into India?

(f) Will Government be pleased to state what steps they propose to take to safeguard the interests of the paddy growing people of India?

**The Honourable Sir Joseph Bhore:** (a) Imports of rice from all countries into India from 1st April to 31st October of the current year amounted to 14,787 tons, and showed a decrease of about 4,000 tons as compared with the corresponding period of last year. Japan's share of the imports during the four months ending the 31st October, 1933, was 66 tons only.

(b) No, Sir.

(c) The October figures show that the average declared value was about Rs. 64 per ton for imports from all countries and about Rs. 80 per ton for imports from Japan.

(d) No. The price of Big Mills Specials in Rangoon has risen from Rs. 145 to Rs. 168 per 100 baskets between the middle of September, and the middle of November.

(e) No, Sir.

(f) The situation is being watched by Government.

**Mr. M. Maswood Ahmad:** Will Government be pleased to state if the figures stated by them relate to British India alone or do they relate to the whole of India?

**The Honourable Sir Joseph Bhore:** For India.

**Mr. M. Maswood Ahmad:** Will Government be pleased to state whether there was any talk about this rice question with the Japanese Delegation or with the Consul-General of Japan in India?

**The Honourable Sir Joseph Bhore:** I believe my Honourable friend was present here yesterday. If so, I am sure he will have it within his recollection what I said on that matter.

**Mr. Muhammad Azhar Ali:** But yesterday none of us was present here!

**The Honourable Sir Joseph Bhore:** I beg your pardon, the day before.

**Mr. Amar Nath Dutt:** In reply to part (f), the Honourable Member said that the Government were still watching. Will Government rest satisfied by only watching the position or do they intend taking further steps after watching?

**The Honourable Sir Joseph Bhore:** Watching is a preliminary process.

**Dr. Ziauddin Ahmad:** The Honourable gentleman has compared the figures with those of last year which was an abnormal year. Will he please compare the figures of this year with those of the year before last?

**The Honourable Sir Joseph Bhore:** I shall certainly be only too glad to get information on that point from my Honourable friend.

**Dr. Ziauddin Ahmad:** There has been a substantial increase if the figures are compared with those of this year.

**Mr. M. Maswood Ahmad:** As Government have not yet studied the condition in other countries, do they propose to study now the question as to what steps have been taken by other countries for raising the price of rice and allowing more exports?

**The Honourable Sir Joseph Bhore:** I shall be greatly obliged to my Honourable friend if he will instruct me in this matter.

**Mr. Amar Nath Dutt:** May I know, Sir, whether Government have taken any steps during the last four years since the price of rice has been falling, or were they merely watching for the last four years the distress of the agriculturists?

**The Honourable Sir Joseph Bhore:** That does not properly belong to my Department and, I am afraid, if I gave any information straight off, I might be misleading my Honourable friend. If he gives me notice, I shall endeavour to have the question answered for him.

**Mr. Amar Nath Dutt:** I have asked for a reply from the Government and not from a particular Department. I do not care to which Department the subject belongs. What I do care for is the distress of the agriculturists at the present moment which has been continued for the last four years.

**The Honourable Sir Joseph Bhore:** I told my Honourable friend that information on that point must be collected before any reply could be given.

**Mr. Amar Nath Dutt:** Does the Honourable Member mean to say that for the last four years no information has been available to enable the Government to take any steps in order to raise the price of rice?

**The Honourable Sir Joseph Bhore:** I have no doubt that information is available, but it is not readily available to me at the present moment.

**Mr. K. C. Neogy:** When the Honourable Member says that Government have been watching the situation, are Government, or the Department of which my Honourable friend is in charge, also watching the effect of the export duty on rice upon the price level of rice in India?

**The Honourable Sir Joseph Bhore:** I have no doubt that that question is being borne in mind by the Department concerned.

**Mr. K. C. Neogy:** May I know with what effect so far?

**The Honourable Sir Joseph Bhore:** I am afraid I could not tell the Honourable Member that straight off.

**Mr. T. N. Ramakrishna Reddi:** Will Government be pleased to state why they view this question of rice so very light-heartedly? When the question of the textile industry is concerned, they take steps immediately, but, in the case of rice, they are only watching the situation while the poor ryots are suffering for the last four years.

**The Honourable Sir Joseph Bhore:** Will my Honourable friend suggest what Government should do in this matter?

**Mr. T. N. Ramakrishna Reddi:** It is not for me to suggest. I am not placed in the position of Government. It is for the Government to protect the interests of the ryots and it is for them to take steps immediately to alleviate their condition.

**The Honourable Sir Joseph Bhore:** I shall certainly be only too glad to receive any suggestions from my Honourable friend as to suitable steps to be taken in this matter. I personally cannot see my way clearly as to any steps to be taken which would reduce the depression immediately.

**Dr. Ziauddin Ahmad:** May I make a definite suggestion? In the first place, the export duty should be abolished. That is the preliminary step for raising the price level.

**The Honourable Sir Joseph Bhore:** I shall pass that suggestion on to the Honourable the Finance Member for consideration.

**Mr. M. Maswood Ahmad:** Are not Government aware that the other suggestions are that the import duty should be imposed on the rice which is imported into India and that the ratio question should be discussed and finally settled.

**Mr. President (The Honourable Sir Shanmukham Chetty):** During question time, there cannot be a discussion on the subject. Honourable Members must ask questions with a view to eliciting information.

**Mr. F. E. James:** Will the Honourable Member be pleased to state what proportion of the 14,000 tons imported into India in this period came from Siam?

**The Honourable Sir Joseph Bhore:** I have not the exact figure available, but I think I am fairly correct in assuming that a very large proportion of it came from Siam.

**Mr. K. C. Neogy:** Is the Honourable Member in a position to state which countries send out the cheapest rice? I gathered that Japan was not the country which sent out the cheapest.

**The Honourable Sir Joseph Bhore:** I think my Honourable friend's assumption is correct.. I have not those prices readily available, but I should say that it is Siamese rice which is at the moment in competition with the Indian rice..

**Mr. Amar Nath Dutt:** Why Government are not expediting this matter as they did expedite in case of the Cotton Mills of Bombay and steel industry? Is the latter their favourite wife?

**The Honourable Sir Joseph Bhore:** I am sure that if my Honourable friend would really take the trouble to consider this question carefully, he would realise that the mere exclusion of 14,000 tons of rice in one half-year would have very little appreciable effect having regard to the fact that the total Indian production is somewhere in the neighbourhood of 17 million tons.

**Mr. Amar Nath Dutt:** Is there no other way available to Government to increase the price of rice?

**The Honourable Sir Joseph Bhore:** I have not been able to find a way.

**Mr. M. Maswood Ahmad:** Are Government aware that Japan has been increasing her export of rice to foreign countries every year, from the year 1929 to 1933, and that they can dump the Indian market any day they choose? Are Government aware that the export of Japanese rice to foreign countries in 1929 was 39,000 koku, in 1930, it was 32,000 koku, in 1931, it was 101,000 koku, in 1932, it was 211,000 koku, and in 1933 up till now, it is 217,000 koku, while each koku is equal to 1,439 maunds.

**The Honourable Sir Joseph Bhore:** I am prepared to take those figures subject to subsequent verification.

**Mr. M. Maswood Ahmad:** Are Government aware that the main cause of the increase in the export of rice is the depreciation of the currency of Japan?

**The Honourable Sir Joseph Bhore:** I have already answered that question.

**Mr. M. Maswood Ahmad:** What was the answer?

**The Honourable Sir Joseph Bhore:** I would suggest that my Honourable friend should read the record when it comes to his hand.

**Mr. M. Maswood Ahmad:** In the replies there is nothing on this point.

**Mr. Lalchand Navalrai:** Did the Honourable Member say that questions relating to textile are more speedily decided than the question of rice?

**The Honourable Sir Joseph Bhore:** I do not know that the two things are comparable at all.

**ORDERS BY THE POSTMASTER GENERAL, PUNJAB, AS APPEALS AGAINST THE ORDERS OF OFFICERS SUBORDINATE TO HIM.**

1142. \*Shaikh Sadiq Hasan: Will Government be pleased to state if it is a fact that the Postmaster General, Punjab, has given orders to his office that all appeals accepted against the orders of officers subordinate to him should be noted against the officer concerned and if so, is it in accordance with rules, and, if not, what action do Government propose to take to remedy this defect?

**The Honourable Sir Frank Noyce:** The Postmaster General, Punjab, has a statement maintained for his own information showing the number of appeals received in his office and accepted by him in respect of each officer subordinate to him, but there is nothing in the rules to forbid such procedure nor do Government propose to take any action in the matter.

**GRANT OF ADVANCE INCREMENTS TO THE STAFF OF THE CENTRAL PUBLICATION BRANCH ON TRANSFER FROM CALCUTTA TO DELHI.**

1143. \*Mr. S. C. Mitra: (a) With reference to part (j) of the reply to starred question No. 688, dated the 7th March, 1933, by Kunwar Hajee Ismail Ali Khan, regarding the grant of advance increments to the staff of the Central Publication Branch on transfer from Calcutta to Delhi, will the Honourable Member in charge of the Department of Industries and Labour be pleased to state whether the budget position has improved since then? If so, do Government propose to grant some personal pay to the staff of the Central Publication Branch to be absorbed in future increments as was stated to have been given to the staff of the Director General of Posts and Telegraphs on transfer *vide* the reply to part (d) of my starred question No. 165, dated the 29th August, 1933?

(b) With reference to the reply to part (d) of starred question No. 165, dated the 29th August, 1933, will the Honourable Member for the Department of Industries and Labour state what were exactly the considerations that led to the grant of personal pay to the staff of the Director General of Posts and Telegraphs?

(c) Are Government aware that the scales of pay prevalent in the Central Publication Branch are much lower than those in vogue in the office of the Director General, Posts and Telegraphs?

(d) Are Government aware that the remoteness of Delhi from home province results in an additional financial burden on account of recurring travelling and other incidental expenses?

(e) Are Government aware that the separation from joint family establishment consequent on transfer has increased the financial responsibility of the families at home and at Delhi?

(f) Are Government aware that the medical charges have been a menacing drain on the slender resources of the staff of the Central Publication Branch?

(g) What would be the amount of expenditure that would be incurred if the memorial of the staff for advance increments were entertained?

(h) Are Government aware that it has been well-nigh impossible for most of the staff to get two square meals a day along with their family?

(i) Do Government propose to review the economic position of the staff in a sympathetic light and afford necessary relief?

**The Honourable Sir Frank Noyce:** (a) I am obviously not in a position to say anything at this stage about the budget position. Government have already considered the request of the staff for the grant of personal pay to be absorbed in future increments and have come to the conclusion that it is not justified. They do not propose to consider the question further.

(b) There were no special considerations underlying this particular concession. The considerations underlying all the concessions then given will be found on page 341 of Volume V of the proceedings of the Standing Finance Committee.

(c) Attention is invited to the statements laid on the table of the House with reference to the replies given by me on the 29th August, 1933, to part (f) of starred question No. 165 and to part (a) of starred question No. 167 asked by the Honourable Member.

(d), (e) and (f). Service at a distance from an employee's home frequently involves additional items of expenditure, but Government have no particulars of any extra expenditure incurred on travelling expenses and home remittances, nor have they particulars of the amounts spent on medical attention in either Calcutta or Delhi. Medical attention is available free to the employees themselves.

(g) Over Rs. 40,000 in the course of five years.

(h) and (i). No.

#### DELAY IN GIVING DECISIONS OF ASSESSING THE INCOME-TAX PAYERS BY THE INCOME-TAX OFFICERS IN INDIA.

**1144. \*Mr. Lalchand Navalrai:** (a) Are Government aware that the Income-tax Officers in India do not give their decisions of assessing the Income-tax payers forthwith or as soon afterwards as may be as required by section 23 of the Income-tax Act?

(b) Is it a fact that they keep in abeyance their proceedings for several years and then at their discretion either give their decision simultaneously or for as many years as they choose?

(c) Are Government aware that the Income-tax payers Association of the City of Calcutta on the 29th August, 1933, submitted a petition headed "iniquities in the existing Income-tax Act" to the Income-tax Member of the Central Board of Revenue, pointing out the aforesaid practice wherein they stated that the Income-tax Officers concerned kept five years' assessment namely from the year 1928-29 to 1932-33 pending and abruptly settled some of them only on the 27th February, 1933? If so, under what law is this procedure justifiable, and what action did the Central Board of Revenue take in the matter?

(d) Are Government aware that such a practice exists in the Bombay Presidency, including Sind, also?

(e) Is it a fact that Messrs. G. C. Motwane Electric and Trading Company, Hornby Road, Fort, Bombay, have been similarly treated and their assessment for two or three years reopened after a long time and enhanced?

(f) If such practice detrimental to the interests of the assessee exists, do Government propose to take necessary action in the matter? If not, why not?

**The Honourable Sir George Schuster:** (a), (b) and (d). The Government have no information suggesting that such a practice exists.

(c) Such a petition was presented and referred to one particular case in which assessment cases for a number of years were said to have been disposed of at the same time. The Central Board of Revenue made enquiries regarding this individual case, after which it replied to the Association saying that it understood that the case in question was likely to come up before the Commissioner of Income-tax in revision and therefore it was impossible for the Board to enter into a discussion on it.

(e) I am precluded by section 54 of the Indian Income-tax Act from discussing the income-tax assessment of any named assessee. If the company in question has any grievance, it is open to it to seek such of the regular remedies in the way of appeal, review or reference to the High Court as are provided.

(f) Does not arise.

**Mr. Lalchand Navalrai:** May I know if the Commissioner refuses to send the case to the High Court, what is the remedy to the individual?

**The Honourable Sir Brojendra Mitter:** If the Commissioner refuses to send the case to the High Court, it is open to the assessee to make an application to the High Court to compel the Commissioner to send the case to the High Court.

**Mr. Lalchand Navalrai:** Under the present Amendment Act?

**The Honourable Sir Brojendra Mitter:** I should say from recollection that it is under the Specific Relief Act.

**Mr. Lalchand Navalrai:** With regard to part (c), may I know what the Commissioner, after all, did in the revision? Did he take any steps to see that such a practice should not be carried on in future where the assessment is kept pending for several years and assessment is made for all these years simultaneously?

**The Honourable Sir George Schuster:** I have no information with me on that point, but I will try and get it and give it to my Honourable friend.

#### AGREEMENT ARRIVED AT BETWEEN THE GOVERNMENT OF INDIA AND THE JAPANESE DELEGATION.

1145. \***Dr. Ziauddin Ahmad:** (a) Will Government be pleased to lay on the table of this House a copy of the text of the agreement, if any, arrived at between the Indian Government and the Japanese Delegation?

(b) Do Government propose to give an opportunity to this House to discuss the agreement?

(c) Will Government be pleased to state whether they considered the interests of the consumers and the interests of the cottage industry in arriving at the agreement? If not, why not?

(d) If the answer to part (c) be in the affirmative, will Government be pleased to state the names of person or persons invited by them at consultation meetings to represent the interests of the consumers and the cottage industry, vis., spinning?

**The Honourable Sir Joseph Bhore:** (a) Yes, Sir. This will be done if and when an agreement is reached.

(b) Honourable Members of this House will certainly have opportunities of discussing any agreement that may be concluded.

(c) All interests concerned have been carefully kept in view throughout the course of the negotiations.

(d) The Honourable Member is referred to the Government of India Commerce Department Press Communiqué, dated the 29th September, 1933.

**Dr. Ziauddin Ahmad:** Who were the persons representing the interests of the consumers and the cottage industries?

**The Honourable Sir Joseph Bhore:** I would refer the Honourable Member to the Government of India Communiqué, dated the 29th September, 1933, where he will have all the information available.

**Dr. Ziauddin Ahmad:** Are the names of the representatives of the consumers given in that Communiqué?

**The Honourable Sir Joseph Bhore:** Names of consumers? No.

**Dr. Ziauddin Ahmad:** Names of consumers' interests?

**The Honourable Sir Joseph Bhore:** I am unable to understand that.

#### PARTICIPATION OF THE REPRESENTATIVES OF LANCASHIRE IN THE DISCUSSION ON THE INDO-JAPANESE AGREEMENT.

1146. \***Dr. Ziauddin Ahmad:** (a) Will Government be pleased to state why the representatives of Lancashire were invited to take part in the discussions on the Indo-Japanese agreement?

(b) What was the subject of discussion between the representatives of Lancashire and the Government of India? Was it (i) separate Anglo-Indian agreement, or (ii) Anglo-Indo-Japanese agreement?

**The Honourable Sir Joseph Bhore:** (a) and (b). The representatives of the Lancashire textile industry were not invited by the Government of India to take part in the Indo-Japanese discussions, nor did they do so. The Honourable Member's attention is invited in this connection to the Government of India Commerce Department Press Communiqué, dated the 17th August, 1933.

**Dr. Ziauddin Ahmad:** Have the Government of India seen the statement issued by Mr. Mody in connection with this agreement?

**The Honourable Sir Joseph Bhore:** I do not know to what statement my Honourable friend refers.

**Dr. Ziauddin Ahmad:** I refer to the agreement with the Lancashire delegation.

**The Honourable Sir Joseph Bhore:** Unless my Honourable friend can identify it with a little more exactness, I should hesitate to give a reply.

**Mr. Gaya Prasad Singh:** The agreement arrived at between Mr. Mody and the Lancashire delegates is being denounced by the textile industry generally in all other parts of India.

**The Honourable Sir Joseph Bhore:** I would suggest that my Honourable friend should have some patience in this matter, because a question on that point has already been put by my Honourable friend, Mr. Das.

**Mr. K. C. Neogy:** With reference to the letter which the Honourable Member himself is supposed to have addressed to the head of the Lancashire delegation, may I request the Honourable Member to place it on the table of the House for facility of future reference?

**The Honourable Sir Joseph Bhore:** I shall place it in the Library of the House.

**Dr. Ziauddin Ahmad:** In view of the reply given by the Honourable Member that the Government of India did not invite the deputation from Lancashire, may I know if the deputation came of their own accord or invited by some body else?

**The Honourable Sir Joseph Bhore:** If my Honourable friend would take the trouble of reading the Press Communiqué published by this Department, I am sure he would not seek any further information on a point like this. The matter has been most fully explained in that Press Communiqué and, I might also say, during the course of the discussion in this House during the Simla Session.

**Mr. Gaya Prasad Singh:** May I know whether the agreement arrived at between Mr. Mody and the Lancashire delegates will not be lightly ratified by the Government of India without considering seriously the representations of the other textile interests in this country?

**The Honourable Sir Joseph Bhore:** That also, I would suggest to my Honourable friend, might best be discussed when the question raised by Mr. Das comes up for answer in this House.

**Mr. F. E. James:** Am I now right in saying that the agreement was not between Mr. Mody and the Lancashire delegation, but between the Bombay Millowners' Association and the Lancashire delegation?

**The Honourable Sir Joseph Bhore:** I should like to make a small correction in my Honourable friend's statement. He is quite right in saying that the agreement was not between Mr. Mody and the Lancashire delegation. But it is not quite correct to say that it is one between the Bombay Millowners' Association and Lancashire. It is between the Millowners' Association, Bombay, and the Lancashire delegation.

**Mr. Gaya Prasad Singh:** May I know if there are certain members of that Bombay Millowners' Association who protested against this sort of agreement being entered into with Lancashire?

**The Honourable Sir Joseph Bhore:** My Honourable friend must refer to the Millowners' Association, Bombay, for information.

**Mr. Gaya Prasad Singh:** Are Government aware that it was not an unanimous agreement entered into by Mr. Mody's Association with the Lancashire delegation?

**The Honourable Sir Joseph Bhore:** I cannot give him any information on that point, because I have not got it. I shall be happy to try and get information on that point.

**Mr. Muhammad Azhar Ali:** Are Government prepared to ratify that agreement without putting it before the House?

**Mr. President (The Honourable Sir Shanmukham Chetty):** That question has already been asked and answered.

**Mr. Lalchand Navalrai:** Did any other member of the Millowners' Association participate along with Mr. Mody in the negotiation with the Lancashire delegates?

**The Honourable Sir Joseph Bhore:** My Honourable friend must address that question to the Association which carried on these negotiations and not to me who had nothing to do with those negotiations.

**Mr. Lalchand Navalrai:** We can know it if the Government have any information with regard to what happened between them?

**The Honourable Sir Joseph Bhore:** I am not in a position to give any definite information on that point.

**Mr. K. C. Neogy:** Has the attention of the Honourable Member been drawn to the Press report that a request was made to the Secretary of State for India on behalf of the Lancashire delegation that this so-called agreement with India should be put on a legislative footing like the Ottawa Agreement in India?

**The Honourable Sir Joseph Bhore:** I am not quite sure if I have seen the Press report referred to, but, obviously, if it is put on a legislative basis, then my Honourable friend will have the fullest opportunity of discussing it.

**Mr. K. C. Neogy:** Of course. But I wanted to know from the Honourable Member whether any information has been received from the Secretary of State on this point?

**Mr. Gaya Prasad Singh:** May I know if the Government of India gave no sort of encouragement to Mr. Mody in the matter of inviting the Lancashire delegation or in the matter of coming to an agreement with them?

**The Honourable Sir Joseph Bhore:** I have already referred my Honourable friend, Dr. Ziauddin Ahmad, to the Press Communiqué, and I would refer my Honourable friend, Mr. Gaya Prasad Singh, to the same Communiqué which will give him complete information on the point.

**DISCUSSION OF THE QUESTION OF SUGAR CANDY WITH THE JAPANESE REPRESENTATIVES.**

**1147. \*Dr. Ziauddin Ahmad:** (a) Will Government be pleased to state if they discussed the question of sugar candy with the Japanese representatives? If not, why not?

(b) Will Government be pleased to lay on the table a copy of the text of the agreement about sugar candy?

**The Honourable Sir Joseph Bhore:** (a) and (b). The negotiations with the Japanese representatives are still in progress, and Government cannot disclose the details of the discussions that have taken place.

**SUMMARY OF DISCUSSIONS BETWEEN THE GOVERNMENT OF INDIA AND THE REPRESENTATIVES OF JAPAN AND LANCASHIRE.**

**1148. \*Dr. Ziauddin Ahmad:** Do Government propose to issue a communiqué, or lay on the table a copy of the summary of the entire discussions between the Government of India and the representatives of Japan and of Lancashire?

**The Honourable Sir Joseph Bhore:** No, Sir.

**DISPOSAL OF BOOKS RECEIVED BY THE GOVERNMENT OF INDIA OR LOCAL GOVERNMENTS.**

**1149. \*Dr. Ziauddin Ahmad:** (a) How many copies of each book printed in India are received by the Government of India?

(b) How are these copies disposed of?

(c) Is any copy supplied to any library in England?

(d) Is any copy supplied to any library in India? If not, why not?

(e) Is it a fact that Government consider it more important to supply books to the British Museum than to their own Imperial Library?

**Mr. G. S. Bajpai:** (a), (b), (c) and (d). The Honourable Member's attention is invited to sections 9 and 11 of the Press and Registration of Books Act, 1867 (Act XXV of 1867). No copies are received by the Government of India under this Act. The disposal of copies supplied to Local Administrations is in the discretion of those Administrations. The books received by the Chief Commissioner, Delhi, are placed in the Delhi Public Library while those received by the Chief Commissioner, Ajmer-Merwara, are kept in the Commissioner's office, but are open to public inspection in both cases. The Act is not in force in Coorg and Baluchistan.

(e) No. The question of making the Imperial Library at Calcutta a copyright library is being considered.

**Dr. Ziauddin Ahmad:** May I understand that the Honourable Member is going to lay a Bill suggesting modification in the Act so as to get a copy sent to the Imperial Library?

**Mr. G. S. Bajpai:** The question of making the Imperial Library or any other library a copyright library will have to be dealt with by legislation, and the Bill, when it comes before the House, will be available to my Honourable friend.

**Mr. K. C. Neogy:** Do I take it then that the Bill is likely to come before the House very soon?

**Mr. G. S. Bajpai:** I would not say very soon, but when consideration of the question is completed.

**Mr. K. C. Neogy:** Is it not a fact that the question of converting the Imperial Library into a copyright library for this particular purpose has been under consideration for at least fifteen years?

**Mr. G. S. Bajpai:** Fifteen years is but a short period in the history of a Government. (Laughter.) But speaking of recent history, I might say that the proposal was received only last August.

**Mr. Amar Nath Dutt:** Do Government pay for the books which they receive?

**Mr. G. S. Bajpai:** No; they do not.

**Mr. Amar Nath Dutt:** Is it a fact that they used to pay formerly?

**Mr. G. S. Bajpai:** Under the Act, ever since it came into being and it came into being in 1867—no payment has been made by Government for books acquired under the Act.

**Mr. K. C. Neogy:** With reference to the Honourable Member's answer to me, may I invite his attention to questions in the old Imperial Legislative Council more than fifteen years ago and to similar answers then given?

**Mr. G. S. Bajpai:** I hope that my Honourable friend's experience in the future would be happier than it has been in the past.

**Dr. Ziauddin Ahmad:** Is it not a fact that the Imperial Library is an all-India library?

**Mr. G. S. Bajpai:** There are differences of opinion about that.

**Dr. Ziauddin Ahmad:** Is it maintained by the Government of India?

**Mr. G. S. Bajpai:** Partly by the Government of India, but there is also a subvention paid by the Government of Bengal.

#### CUSTOMS DUTY ON SUGAR.

1150. \***Dr. Ziauddin Ahmad:** (a) What is the custom duty on sugar?
- (b) Was the duty increased for revenue purposes?
- (c) What has been the variation in the income from custom duty in 1938, as compared with the corresponding periods in 1931 and 1930?

**The Honourable Sir George Schuster:** (a) Rs. 7-4-0 per cwt. plus a surcharge of Rs. 1-13-0 per cwt.

(b) The surcharge was imposed purely for revenue purposes.

The Honourable Member's attention is invited to paragraph 76 of my speech introducing the budget for the current year.

(c) The amount of duty collected during the first seven months of the current year is 2,95 lakhs against 4,14 lakhs and 5,79 lakhs in the corresponding periods of 1931-32 and 1930-31 respectively.

**Dr. Ziauddin Ahmad:** May I know whether the Honourable gentleman would admit that this increase is not due to revenue purposes only, but to protection, because there has been actually loss in the income?

**The Honourable Sir George Schuster:** My Honourable friend asked what the intention was when the surcharge was imposed. That intention may not have been fulfilled, but that does not alter the fact as to what the intention was.

**Dr. Ziauddin Ahmad:** Not the surcharge, but the increase in the duty: I am not talking of 25 per cent. surcharge on every article, but when the increase was levied, it was not a revenue duty, but it was a protective duty.

**The Honourable Sir George Schuster:** As regards what actually happened, the duty had already been put up for revenue purposes to a certain level. That level happened to coincide with the duty which was recommended by the Tariff Board for protective purposes and was thereafter adopted by the Government of India as a protective duty.

**Mr. A. Das:** Are Government aware that this surcharge which has been imposed on sugar is likely to be reduced during the current year or done away with altogether?

**The Honourable Sir George Schuster:** My Honourable friend must wait until I make my budget speech.

#### PAYMENT OF UNECONOMIC PRICES TO THE SUGARCANE CULTIVATORS.

1151. \***Dr. Ziauddin Ahmad:** (a) Are Government aware that the sugar mill-owners pay uneconomic prices to the sugarcane cultivators?

(b) Are Government aware that these mills have ruined the cottage industry of sugar?

(c) Are Government aware that the sugar mill-owners sell sugar at prices at which Java sugar would be sold after paying the enhanced custom duty?

**Mr. G. S. Bajpai:** (a) The prices paid for sugarcane by millowners vary so considerably that it is impossible to draw any conclusion of general application.

(b) Government have no information in support of this statement.

(c) A comparative statement showing the current prices for Indian factory sugar and imported sugar in Calcutta, Delhi and Amritsar is laid

on the table. After allowing for variation in quality it appears that internal competition has brought the price of Indian factory sugar at up-country markets below the price of imported sugar.

*Statement.*

(1) *Prices of sugar per maund in Calcutta.*

	2nd November, 1933.	5th November, 1933.	9th November, 1933.
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	Rs. a. p.	Rs. a. p.	Rs. a. p.
Java White Sugar Ready .	10 7 6	10 9 0	10 9 6
Cawnpore White Sugar Ready .	10 2 0	10 2 0	10 2 0

(2) *Prices of sugar per maund in up-country markets on the 2nd November, 1933.*

	Java sugar.	Desi sugar.
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	Rs. a. p.	Rs. a. p.
Delhi . . . . .	12 8 0	11 0 0
Amritsar . . . . .	12 6 0	11 0 0

**Mr. M. Maswood Ahmad:** Have Government seen an article published by Mr. Rafi Ahmad Kidwai in the *Hindustan Times* of the 19th November mentioning that prices have not been paid to the sugarcane growers on the basis on which they should have been paid?

**Mr. G. S. Bajpai:** That question was discussed at the Conference which met in Simla last July, and it was hotly contested. Representatives of several provinces said that the sugarcane grower was getting actually more than he had done before industrialisation had reached the stage which it has.

**Mr. A. Das:** Has the attention of the Government been drawn to an article which appeared in the *Hindustan Times* of today's date where it is said that, in the district of Basti, the price paid for sugarcane was often less than five annas and that the sugar-mill owners at Basti have not complied with the notification of the United Provinces Government and that, consequently, there has been a lot of unrest among the sugarcane growers in the district against the action of the millowners?

**Mr. G. S. Bajpai:** I have not had the opportunity, being a late riser, to study the *Hindustan Times* this morning; but if there is discontent in Basti, owing to the difficulties to which my Honourable friend has referred, I have no doubt, the Government of the United Provinces, who are very solicitous of the interests of the sugarcane grower, will take suitable action.

**Mr. M. Maswood Ahmad:** Have Government appointed any inspector or some one like that to go round and inquire whether the sugarcane growers are getting the amount which they should get?

**Mr. G. S. Bajpai:** The matter is within the competence of Local Governments.

**Mr. M. Maswood Ahmad:** What about the areas which are under the Central Government?

**Mr. G. S. Bajpai:** I am not aware that they are growing large quantities of sugarcane.

**Dr. Ziauddin Ahmad:** Are Government aware that the cultivators actually lose, for three reasons: in the first place, prices are very uneconomic; secondly, canes are underweighed and thereby they are kept waiting for a long time, sometimes one week, so that the weight of sugarcane may be diminished by about 20 per cent.? The maintenance for several days is additional hardship.

**Mr. G. S. Bajpai:** I am not aware of all these details, but I have no doubt that the Local Governments will take due notice of them.

**Dr. Ziauddin Ahmad:** May I request the Government of India to ask the Local Governments to make local inquiries to find out certain remedies, because, as far as the Central Government is concerned, they have put down a very heavy duty, and the consumers are paying it, and it is the duty of the Government to exercise, through the Local Governments, their power to see that the cultivators get proportionate profits which is really their due? They should also see that consumers are not unduly taxed.

**Mr. G. S. Bajpai:** May I suggest to my Honourable friend that I supply to him a copy of the proceedings of the Simla Conference and that he peruses it at his leisure? This question of regulating prices of sugarcane and of passing on a portion of the benefit accruing to the industry from the import duty to the sugarcane grower was fully discussed there and I think every aspect of the question was considered.

**Dr. Ziauddin Ahmad:** Result from bad to worse. Will Government also authorise the Local Governments to make their own rules in order to regulate the prices paid to the cane grower?

**Mr. G. S. Bajpai:** They need no authority from the Government of India: the initiative rests with them.

**Mr. M. Maswood Ahmad:** Do Government propose to send these questions and answers to the United Provinces Government and to the Bihar Government?

**Mr. G. S. Bajpai:** I have no objection to that at all.

**Dr. Ziauddin Ahmad:** Am I to understand in reply to my question that the Local Governments have already got the power to make their own rules about the purchase of sugarcane and sale of sugar?

**Mr. G. S. Bajpai:** That is the position, Sir.

**PROFIT AND LOSS ACCOUNTS OF EACH SUGAR MILLOWNER.**

1152. \*Dr Ziauddin Ahmad: Do Government receive a copy of the profit and loss accounts, certified by recognised auditors, from each sugar millowner? If so, will they be pleased to put the file in the Library for three days?

**Mr. G. S. Bajpai:** No.

**Dr. Ziauddin Ahmad:** When we are giving protection to any industry, is it not the duty of the Government to find out that increase in taxation is really for the benefit of the people of the country, and not for the benefit of a few millionaires, because, after all, it is very unfair to levy a customs duty in order to fill the pockets of men who are already rich?

**Mr. G. S. Bajpai:** That is my Honourable friend's impression, that it is only the millowners or the millionaires who benefit by it: but, as I have said in answer to a previous question, that view is not supported by others.

**Dr. Ziauddin Ahmad:** Not supported by millionaires. I would like to have an answer to my question, who is the Government for this purpose?

**Mr. G. S. Bajpai:** Government impose the duty for the benefit of the 12 Noon. industry, and not of any individual or any interest

**Dr. Ziauddin Ahmad:** Is it not the duty of the Government to make inquiries and find out whether the protection that they have given is really a protection of the industry and beneficial to the people, and that it is not another method of filling the pockets of the millionaires?

**Mr. G. S. Bajpai:** There, again, I would remind my friend that the best method of ascertaining the facts was to discuss it with the representatives of the provinces where sugar is grown, and that was why the conference was convened.

**Dr. Ziauddin Ahmad:** I think I should ask the Honourable the Commerce Member to reply to this, because it is his Department which has to answer.

**The Honourable Sir Joseph Bhore:** I must have notice of the question.

**FIXATION OF MINIMUM PRICES FOR SUGARCANE AND SUGARCANE JUICE.**

1153. \*Dr. Ziauddin Ahmad: Do Government propose to fix minimum prices for sugarcane and sugarcane juice at each locality to safeguard the interest of agriculturists?

**Mr. G. S. Bajpai:** The matter is the concern of Local Governments.

**Dr. Ziauddin Ahmad:** May I know whether Local Governments will do the same thing if they consider it desirable?

**Mr. G. S. Bajpai:** As I have been trying to explain for some time, there is no need for anything further to be done by the Government of India.

because the July Conference was specifically called to enable Local Governments to exchange ideas with one another and to decide what action they should take.

**Maulvi Muhammad Shafee Daoodi:** Are the Government of India aware that up to this day the Government of Bihar and Orissa have done nothing to fix the minimum price which was adopted at the Simla Conference?

**Mr. G. S. Bajpal:** No suggestion to fix minimum price was adopted by the Simla Conference.

**Maulvi Muhammad Shafee Daoodi:** Have Government done anything to prevent the unrest among the sugarcane growers in the provinces on this matter?

**Mr. G. S. Bajpal:** I have already stated that if there is unrest among sugarcane growers in this matter of prices, I have no doubt that Local Governments will take suitable action.

**Maulvi Muhammad Shafee Daoodi:** But I say there is unrest in the Bihar and Orissa Province, and no action whatsoever has been taken there.

**Mr. President (The Honourable Sir Shanmukham Chetty):** That is a matter to be adjusted by the Bihar Government.

**Dr. Ziauddin Ahmad:** Are Government aware of the great unrest prevailing among the consumers who believe that they are paying three times the cost price? Sugar mills really produce sugar at about four rupees a maund and we have to purchase it at about Rs. 13 a maund.

**Mr. G. S. Bajpal:** No, Sir; I am not aware of any universal discontent among consumers.

**Dr. Ziauddin Ahmad:** I am a consumer myself, and there is great unrest in me. (Laughter.)

**Mr. G. Morgan:** May I ask whether it is a fact that, at the meeting of the Sugar Committee at Coimbatore, the question of minimum price for sugarcane has been discussed, and may I ask the Government whether the decisions arrived at by the Committee have been passed on to Local Governments?

**Mr. G. S. Bajpal:** That Conference, Sir, met only recently, and I have no doubt that the proceedings of their deliberations will be communicated to all Local Governments.

#### FIXATION OF ECONOMIC PRICES FOR THE SALE OF SUGAR AND THE PURCHASE OF SUGARCANE OR SUGARCANE JUICE.

1154. **Dr. Ziauddin Ahmad:** Do Government propose to fix the economic prices for the sale of sugar and the purchase of sugarcane or sugarcane juice in each area, in a manner that millowners may

not get more than 15 per cent. or thereabouts, including reserve and depreciation, or as an alternative change the protection duty into revenue duty?

**Mr. G. S. Bajpai:** The fixing of cane prices in any area is the concern of Provincial Governments.

#### EXPECTED DEFICIT IN THE RAILWAY BUDGET OF 1933-34.

1155. \***Dr. Ziauddin Ahmad:** With reference to the figures of the last seven months will Government be pleased to state what is the amount of the deficit which they expect in the Railway Budget of 1933-34?

**Mr. P. R. Rau:** Government regret they are not at present in a position to give the information required. Any estimate made at the present moment must be purely conjectural, as so much depends on the traffic in the busy season which is yet to come.

#### RESTORATION OF THE FIVE PER CENT. CUT IN THE SALARIES OF GOVERNMENT SERVANTS.

1156. \***Dr. Ziauddin Ahmad:** Will Government be pleased to state if they have decided to restore the remaining five per cent. cut in the salaries of Government officials from April, 1934? Do they propose to remit the surcharge?

**The Honourable Sir George Schuster:** I must ask the Honourable Member to wait till I make my budget speech.

#### STATEMENTS LAID ON THE TABLE.

**The Honourable Sir Harry Haig (Home Member):** Sir, I lay on the table the information promised in reply to starred question No. 1127 asked by Mr. B. Das on the 5th April, 1938.

#### PROSECUTION OF THE RIYASAT BY THE BHOPAL STATE.

\*1127. (a) I have seen the passage referred to in the judgment of the trying magistrate; but I must point out that no sanction was given by the Government to the prosecution, which was instituted on the complaint of an individual, and not of the Bhopal Darbar.

(b) The Delhi Administration have no information about investigations in connection with this case.

**The Honourable Sir Harry Haig (Home Member):** Sir, I lay on the table the information promised in reply to starred question No. 890 asked by Mr. Muhammad Azhar Ali on the 13th September, 1938. I would add that the general orders regarding recruitment for the clerical staff are not applicable to the Railway Department or to that portion of Army and Royal Air Force Headquarters which is reserved for soldiers, ex-soldiers and lady clerks.

**UNQUALIFIED PERSONS PROMOTED TO UPPER DIVISION IN THE ARMY HEADQUARTERS.**

\*380. Twenty seven unqualified persons have been promoted permanently to the First Division in the Government of India offices at headquarters since the 1st April, 1930, the date on which the present recruitment scheme came into force. Of these, four were soldiers and ex-soldiers, 20 Indians, one a European civilian and two Anglo-Indians.

**Mr. G. S. Bajpai** (Secretary, Department of Education, Health and Lands): Sir, I lay on the table the information promised in reply to starred questions Nos. 480—482, asked by Mr. Jagan Nath Aggarwal on the 4th September, 1933.

**SUSPENSION OF A CANDIDATE FROM THE INTERMEDIATE EXAMINATION BY THE SUPERINTENDENT, RAMJAS COLLEGE CENTRE, DELHI.**

\*480. (a), (b) and (c). Yes.

**SUSPENSION OF A CANDIDATE FROM THE INTERMEDIATE EXAMINATION BY THE SUPERINTENDENT, RAMJAS COLLEGE CENTRE, DELHI.**

(a) Yes.

(b) The Superintendent is required, under the relevant regulations of the University, to report all attempts to use unfair means to pass an examination to the Registrar of the University for the decision of the Executive Council. The reply sent by the Superintendent to the guardian was, therefore, appropriate. The suspension of the student was not, however, continued as he was informed by the Superintendent that he could appear provisionally in the next paper.

(c) Yes.

(d) The rule on the subject is that "any attempt to use unfair means to pass the examination or any violation of the rules by the candidate shall be immediately reported by the Superintendent to the Registrar for decision of the Executive Council". When reporting the conduct of this student to the Registrar, the answer book was also sent as a material document.

(e) As regards the first part of the question, the Honourable Member is referred to the answer given to part (d). Government do not propose to direct the University to get the student's answer book re-examined as he was disqualified by the University for using unfair means.

(f) The reply to the first part of this question is in the affirmative. The Superintendent's action was fully justified and there was nothing for the University authorities to rectify.

(g) Honourable Member's attention is invited to the answer to part (f) of the question.

**SUSPENSION OF A CANDIDATE FROM THE INTERMEDIATE EXAMINATION BY THE SUPERINTENDENT, RAMJAS COLLEGE CENTRE, DELHI.**

\*482. (a) Yes.

(b) The Executive Council of the University is empowered under clause (13) of Section 4 read with clause (i) of Section 22 of the Delhi University Act, 1922 (Act VIII of 1922) to deal with such cases. The question of making specific regulations for dealing with such cases is now being considered by the University.

**Mr. P. R. Rau** (Financial Commissioner, Railways): Sir, I lay on the table:

(i) the information promised in reply to starred question No. 577, asked by Mr. Muhammad Azhar Ali on the 4th September, 1933;

- (ii) the information promised in reply to starred question No. 751, asked by Mr. K. P. Thampan on the 7th September, 1938;
- (iii) the information promised in reply to part (b) of starred question No. 755, asked by Mr. K. P. Thampan on the 7th September, 1938;
- (iv) the information promised in reply to unstarred question No. 46, asked by Mr. M. Maswood Ahmad on the 11th September, 1938;
- (v) the information promised in reply to parts (b) and (c) of starred question No. 823, asked by Mr. E. H. M. Bower on the 12th September, 1938;
- (vi) the information promised in reply to unstarred questions Nos. 67 and 69, asked by Mr. S. C. Mitra on the 13th September, 1938; and
- (vii) the information promised in reply to unstarred question No. 147, asked by Mr. Bhuput Sing on the 20th September, 1938.

#### **CONSTRUCTION OF PLATFORMS AND OVERBRIDGES AT MAILANI AND BHOJEEPURA STATIONS ON THE ROHILKUND AND KUMAON RAILWAY.**

\*577. (a) Government have ascertained that at the stations referred to all passenger trains are received along-side raised platforms and that no passenger train is ever admitted on a line on which there are goods wagons.

(b) Platforms already exist at both those stations, and no overbridge is necessary at Mailani where there is only one platform. At Bhojeeypura, which is a small junction station and has two platforms, it is sometimes necessary for a few local passengers to cross the railway track to the island platform, but no shunting is carried on when passenger trains are being dealt with, and there is no danger to passengers crossing the track. The volume of local passenger traffic at this station does not justify the expenditure involved in providing an overbridge.

(c) In his inspection report on the Rohilkund and Kumaon Railway system for the year ending 31st March, 1933, the Senior Government Inspector has said "The number of passengers booked to and from Bhojeeypura Junction station is not large, but there is the possibility of their being injured while crossing the station building platform line, and I think the Administration would be well advised to build an overbridge", but at the same time the report specifies no works which require to be carried out at once in the interest of safety.

#### **INTRODUCTION OF INTERMEDIATE CLASS ACCOMMODATION ON THE SOUTH INDIAN RAILWAY.**

\*751. (a), (i) Yes.

(ii) The subject was raised on two occasions at meetings of the South Indian Railway Advisory Committee and the position was, on these occasions, explained by the Agent to the Members who raised the question.

(iii) Neither Government nor the Railway Administration concerned are aware of any considerable feeling on this subject.

(iv) The Railway Administration reports that there is no popular demand for the introduction of intermediate class accommodation on the broad gauge of the South Indian Railway and this is supported by the comparatively small and diminishing use made of similar accommodation on the metre gauge of the same Railway.

(b) In the circumstances, Government do not see any justification for their intervention.

#### **ARTICLE ENTITLED "MONSTROUS". IN THE INDIAN RAILWAY MAGAZINE.**

\*755. (a) The Agent, Bengal and North Western Railway reports that the statement that the train was overcrowded and that passengers were standing on the foot-boards is incorrect.

The train in question was an empty *mela* rake which had been ordered from Paleza Ghat to Sonepore to bring a few *mela* passengers from Sonepore to Paleza Ghat and though nominally empty the train possibly contained a few ticketless passengers.

In the circumstances, no action under Section 93 of the Indian Railways Act is called for.

#### COMMUNAL COMPOSITION OF THE STAFF RECRUITED BY THE CHIEF MEDICAL OFFICER, NORTH WESTERN RAILWAY.

46. The communal composition and the number of appointments made by the Chief Medical Officer, North Western Railway, since January, 1933, is given below. With the exception of the dispenser all the appointments were made by Selection Committees.

Particulars.	Muslim.	Hindu.	Christian.	Sikh.	Total.
Assistant Surgeons . . . . .	..	1	..	1	2
Sub-Assistant Surgeons . . . . .	1	..	..	..	(Tempy.) 1
Nurses . . . . .	..	..	2	..	2
Dispensers . . . . .	1	..	..	..	1

#### TICKETS FRAUDS ON RAILWAYS.

\*823. (b) It is a fact that cases of re-selling of tickets have been detected in the past.

(c) A number of collected tickets were found in certain pillars on Howrah Station platform after the Crew system was abolished.

#### AMOUNTS CONTRIBUTED BY THE BENGAL NAGPUR RAILWAY FOR THE CONSTRUCTION OF THE BUILDINGS OF CERTAIN INDIAN SCHOOLS.

67. (a) The amounts contributed by the Bengal Nagpur Railway, towards the cost of construction of the following school buildings, are noted against each :—

<i>Khargpur.</i>	Rs.
Indian High School Building Quarters . . . . .	77,231
	<u>22,399</u>
	Total . . . . .
	<u>99,630</u>
Indian Primary School Building Quarters . . . . .	20,021
	<u>11,740</u>
	Total . . . . .
	<u>31,761</u>
Indian Girls' School Building Quarters . . . . .	20,124
	<u>6,048</u>
	Total . . . . .
	<u>26,172</u>

#### *Adra.*

Indian High School Building Quarters . . . . .	15,651
	<u>6,902</u>
	Total . . . . .
	<u>22,553</u>

Indian Primary School Building . . . . .	7,362
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#### *Chakardharpur.*

Indian High School . . . . .	12,506
Indian Middle English School . . . . .	Located in a Railway building, the cost of which is not known.

(b) A 4-roomed building was originally provided for the Boys' Primary School at Adra, but this building has since been transferred to, and is now being occupied by, the upper primary classes of the High School. No pucca building has been provided at Railway expense for the Girls' School. Temporary arrangements have, however, all along been made for the accommodation of the Boys' Primary and Girls' Schools.

### CONSTRUCTION OF QUARTERS FOR TEACHERS OF BENGAL NAGPUR RAILWAY SCHOOLS.

69. (a) Teachers in Railway schools are not entitled to free quarters according to the rules now in force, but free quarters are placed at the disposal of the teaching staff on the Bengal Nagpur Railway in cases where such are available.

(b) The numbers of teachers at the Schools mentioned above and the numbers of quarters made available for them are as follows :

		Number of teachers.	Number of quarters.
Khargpur	.	57	42
Adra	.	30	11
Chakardharpur	.	30	nil.

(c) The Agent, Bengal Nagpur Railway, has reported that no rented houses are available within the boundaries of the railway settlements at Khargpur and Adra, but Government have no information as to whether houses are available for leasing outside those settlements.

(d) The possibility of providing quarters for certain of the Indian Schools' teaching staff at Chakardharpur is at present under investigation, but the money available for building quarters is limited and there are large numbers of railway employees for whom quarters have not yet been provided for want of funds.

### INTRODUCTION OF A FASTER TRAIN *via* LOOP LINE FROM HOWRAH TO DELHI.

147. (a) No.

(b) and (d). If a through fast train to Delhi was run *via* the loop it would either be necessary to extend one of the existing trains which run *via* the loop or to divert a main line train to the loop. The Agent reports that the traffic from and *via* the loop does not justify either of these alternatives.

(c) No, but Government understand that public opinion has been in favour of the extension of these trains to Patna, which has been arranged.

(e) No, the Bandel-Barharwa section is subject to a greater speed restriction than the Sahibganj loop.

### THE INDIAN DOCK LABOURERS' BILL.

The Honourable Sir Joseph Bhore (Member for Commerce and Railways): Sir, I move :

"That the Bill to give effect in British India to the Convention concerning the protection against accidents of workers employed in loading and unloading ships be referred to a Select Committee consisting of Mr. Abdul Matin Chaudhury, Mr. Uppi Sahib Bahadur, Sirdar Sohan Singh, Bhai Parma Nand, Mr. S. G. Jog, Lala Hari Raj Swarup, Mr. Lalchand Navalrai, Khan Sahib Shaikh Fazal Haq Piracha, Sir Leslie Hudson, Mr. Goswami M. R. Puri, Mr. N. M. Joshi, Mr. A. Ra'sman and the Mover, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

The principle of the Bill, Sir, is to empower the Government of India to make regulations for the safety of workers employed in loading and unloading ships and to provide through a system of proper inspection for

the carrying out of those regulations in accordance with standards internationally accepted and embodied in the draft convention of the International Labour Conference. Sir, this House has always accorded the most generous sympathy towards the consideration of measures intended for the improvement of the lot of workers in this country. It is, therefore, I think, unnecessary for me to make any lengthy speech in commanding this measure to the House, a measure the humanitarian intention of which is so evident. The occupation of the dock worker, particularly stevedores and labourers engaged in loading and unloading ships, is undoubtedly a most hazardous occupation, as any one will realise who has watched the working of cargoes into and out of ships. In Great Britain, the occupation of the dock worker is definitely classed as a dangerous trade, and it is governed by special regulations which are known as dock regulations. Up to the present India has had nothing on the lines of these dock regulations, and a good many other countries are in the same position as India. The detailed provisions of the International Convention which I have referred to follow generally the provisions of the English dock regulations which are generally recognised as furnishing a reasonably complete code for the safety of the worker, a Code, Sir, which has stood the test of experience.

If Honourable Members will turn to the Bill, they will see that the main provision is clause 5 under which power is taken to make regulations to ensure the safety of the workers in all essential respects such as the provision of lighting and fencing of dangerous approaches, the protection of hatchways, the measures necessary to see that hoisting machines are in safe working condition and that the machinery is operated by competent persons, the provision of first-aid to injured workers and of rescue appliances for workers who fall into the water and a number of other matters covered by the Convention.

Clause 6 gives power to the Local Governments to make rules providing for inspection. I may observe here that the intention is that the work of inspection should largely be carried out through the agency of the factory inspectors appointed by Local Governments under the Indian Factories Act.

There is only one other matter, Sir, that I should like to refer to quite briefly. The International Convention provides a somewhat elaborate code of rules having regard to conditions which exist in the large maritime ports where the work of loading and unloading is done through means of the most modern machinery. Now, Sir, such conditions exist in India only in the major ports and perhaps in one or two of the largest of our minor ports. India has a large number of very small ports, as have other countries of the world, the condition of which is such that it would be impossible to apply to them an elaborate code of rules which were designed to meet the case of larger and more fully equipped ports. For that reason the Convention confers on member Governments the power of granting exemptions in certain cases in respect of either the whole or part of the provisions of the Convention, and clause 11 of the Bill provides for the exercise of such power by the Governor General in Council according to the provisions of the Convention itself.

I have little further to add in commanding the principle of this Bill to the acceptance of this House. I would only express the view that, when this measure passes into law and is placed upon the Statute-book, it will

[Sir Joseph Bhore.]

be a very valuable and very important addition to that body of legislation which has been passed by this House in aid of the manual workers of this country.

Sir, I move.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Motion moved:

"That the Bill to give effect in British India to the Convention concerning the protection against accidents of workers employed in loading and unloading ships be referred to a Select Committee consisting of Mr. Abdul Matin Chaudhury, Mr. Uppi Sahib Bahadur, Sirdar Sohan Singh, Bhai Parma Nand, Mr. S. G. Jog, Lala Hari Raj Swarup, Mr. Lalchand Navalrai, Khan Sahib Shaikh Fazal Haq Piracha, Sir Leslie Hudson, Mr. Goswami M. R. Puri, Mr. N. M. Joshi, Mr. A. Raisman and the Mover, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

**Mr. Abdul Matin Chaudhury** (Assam: Muhammadan): Sir, I rise to say just a few words in support of this motion. The Convention to which this Bill refers was originally adopted in the year 1929, and, in that year, you, and my Honourable friends, Mr. Clow, Mr. B. Das and Mr. Joshi attended the Convention representing the various interests from India. I had the privilege of working in the Sub-Committee which dealt with this particular Convention. Though on the occasion of voting the Government of India remained neutral, my Honourable friend, Mr. Clow, on behalf of the Government of India gave the assurance that the Government of India would co-operate to the fullest extent in giving effect to the provisions of this Convention. And this Bill redeems that pledge, and I am glad to note with satisfaction that, after considering the various interests concerned, the Government of India have thought it fit to ratify this Convention.

As the Honourable Member-in-charge of the Bill has pointed out, the work of dock workers involves great hazard and it is responsible for a number of accidents every year in many ports in India. In all the civilised countries very elaborate regulations have been devised for the protection of dock workers. There they have adopted safety provisions for the protection of the workers on board the ship as well as in their access from board the ship to the shore, and it is satisfactory that the Government of India are bringing up their regulations into line with other civilised countries. There is only one point on which I would like to seek information. If I remember rightly, when the Convention was being discussed, the Government of India were rather hesitant about applying this Convention to the case of inland docks. I should like to know whether they would apply this Convention to the case of maritime ships or to ships engaged in inland navigation also.

**Mr. A. Raisman** (Government of India: Nominated Official): Sir, having had some opportunity of dealing with the details of this matter, I am in a position to answer the question asked by my Honourable friend, Mr. Abdul Matin Chaudhury. The question of restricting the scope of this Convention to maritime docks and maritime ports was, as my Honourable friend is no doubt aware, discussed at the Conference itself, and a number of countries including Holland, which has a large system of inland navigation, were, as far as I remember, not in favour of having the Convention applied fully to their inland wharves and ports. As a result of the discussion, it was considered that it would be better not to limit the

Convention to maritime ports only, but to adopt a more general criterion for the exclusion of ports and docks to which the application of the Convention may not be practicable or suitable. So, the criterion, which was finally adopted and which, in effect, is embodied in this Bill, was that member countries should have the power to exempt any port or place, dock, wharf, quay, etc., at which the processes are only occasionally carried on or the traffic is small and confined to small ships. Now, that, Sir, would exclude the whole of the inland navigation or the inland ports of India, because none of them are places at which the processes are continually carried on or the traffic is large, and, in particular, the ships in which cargo is carried on the inland waterways are smaller than those contemplated by the Convention. To give an example, one of the main provisions is that, where the hold is more than five feet deep, special means of access should be provided. I believe I am right in saying that in our inland vessels the holds are never as much as five feet deep, so that the whole of that part of the Convention which deals with working in those holds and access to them is inapplicable. Again, clause 11 (b) of the Bill gives us power to exclude any specified ship or class of ship, and it would probably be under that sub-clause that the Government of India would act in exempting from the Convention ships engaged in inland navigation until such time at any rate as the larger type of vessel to which these provisions might suitably be applied comes to be employed on our inland waterways.

**Sardar Sant Singh** (West Punjab: Sikh): Sir, I am not intervening in this debate for the purpose of opposing the motion for the simple reason that I have had very little experience of these matters, but there is one thing in the Bill to which I want to draw the attention of the members of the Select Committee when they come to consider the various clauses of the Bill, and that is clause 12. I raise my voice of protest against such provisions even in ordinary Bills, because I find that a practice is growing up to defend and protect the public servants in season and out of season. This clause reads:

"No suit, prosecution or other legal proceeding shall lie against any person for anything which is in good faith done or intended to be done under this Act."

Really, when a legislation is made, it is intended thereby that the proceedings or powers given under that legislation shall be exercised in accordance with the provisions laid down in the Bill or Act itself. If the powers are not exercised in accordance with the provisions of the Bill, there does not seem to be any reason for enacting the measure at all. If the provisions of the Act are actually adhered to, there is no reason why the public servant should be afraid of suffering any consequences by the exercise of the powers under the Act itself, but if he does not conform to the strict provisions of the law, then I do not think he should be protected against the consequences of his acts if the acts themselves are illegal. We are already suffering in India from the overdose of protection afforded to the public servants. Their illegal acts cannot be called in question either in Civil Court or in Criminal Court. The result in all cases is that Government servants do not act strictly in accordance with law, but are still immune from consequences. The time has come when the voice of protest should be raised against giving too much protection to public servants. I will request the members of the Select Committee, when they are dealing with this matter, to look into these provisions and see whether there is any necessity for a provision like this in the Bill.

**Raja Bahadur G. Krishnamachariar** (Tanjore cum Trichinopoly : Non-Muhammadan Rural) : Sir, I join with my friend, Sardar Saur Singh, in inviting the attention of members of the Select Committee to this very very insidious provision which has come to find a place in all the later Acts of the Legislature. I believe there are cases to the effect that when the provisions of an Act are not strictly conformed to, the officer who exercises the power under the Act cannot be said to have acted in good faith, which means, I suppose, with due care and attention. Those decisions are on one side, but, as a matter of fact, when you file suits and when you are prepared to show that these powers have not been exercised properly, with due care and attention, and, in certain cases, against the provisions of the Act, the preliminary objection raised by the pleader for the Government is that such a suit does not lie, *vide* section so and so, and that is upheld in spite of the protest of the plaintiff that he is prepared to prove his case. I can give two instances where flagrant acts were committed by Government servants and they were dismissed. Fortunately there is the High Court before which these two cases are still pending. If you act with due care and attention, why should any protection be given, I cannot understand. We have been told time and again in the case of repressive legislation that an honest man, a loyal man and a man with no seditious ideas at all need not apprehend any injury from the provisions of the Act. Sir, the sting of the clause is in its tail when it says that not only the man who does exercise his power in good faith should be protected, but who intends to do it in good faith. The way to a certain place is paved with good intentions and it is absolutely impossible, I am speaking as a lawyer of some experience, though not of great eminence, to prove before a Court what a man actually intended. What you are supposed to have intended is variously interpreted by judges. It is bad enough to excuse people who exercise their powers in good faith, but surely it is inexcusable to extend that power in the case of persons who intended to do it in good faith, but did not do it in good faith. Therefore, I would make a special request to those Honourable Members who are in the Select Committee to see that this provision is deleted and that the usual course that will be adopted in the case of lesser mortals be also adopted in the case of Government servants who, when exercising their powers, ought to do so with greater care and attention.

**The Honourable Sir Joseph Bhore**: Sir, I have very little to add to what I have already said. This is not the occasion for me to enter into a discussion of the merits of the points raised by my Honourable friends. I have no doubt that the Select Committee will consider very carefully the arguments which they have adduced, but I would like to bring to the recollection of the House one fact and that is that to the best of my remembrance it was the Select Committee on the Assam Tea Districts Labour Bill that *suo motu* added a provision of this nature. We are merely following the precedent set by the Select Committee in that case.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is :

"That the Bill to give effect in British India to the Convention concerning the protection against accidents of workers employed in loading and unloading ships be referred to a Select Committee consisting of Mr. Abdul Matin Chaudhury, Mr. Uppi Sahib Bahadur, Sirdar Sohan Singh, Bhai Parma Nand, Mr. S. G. Jog, Lala Hari Raj Swarup, Mr. Lalchand Navalrai Khan Sahib Shaikh Fazal Haq Piracha, Sir Leslie Hudson, Mr. Goswami M. R. Puri, Mr. N. M. Joshi, Mr. A. Ra'sman and the Mover, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

The motion was adopted.

RESOLUTION RE NON-RATIFICATION AND NON-ACCEPTANCE  
OF DRAFT CONVENTIONS AND RECOMMENDATION CON-  
CERNING INVALIDITY, OLD-AGE AND WIDOWS' AND  
ORPHANS' INSURANCE.

**The Honourable Sir Frank Noyce** (Member for Industries and Labour): Sir, I beg to move:

"That this Assembly, having considered the Draft Conventions and the Recommendation concerning invalidity, old-age and widows' and orphans' insurance adopted at the Seventeenth Session of the International Labour Conference, recommends to the Governor General in Council that he should not ratify the Draft Conventions nor accept the Recommendation."

As this House is doubtless aware, my Honourable colleague, the Commerce Member, and I have been very closely associated during the last two months. This morning, however, our ways have parted. More fortunate than I, he has successfully advanced a Bill designed to give effect to a Convention adopted by the International Labour Conference. I, on the other hand, have to request this House to adopt a recommendation to the Governor General in Council that he should not ratify no less than seven Conventions. Six of which are covered by this Resolution. These Conventions, I may remind the House, were adopted by the last Session of the International Labour Conference which met at Geneva in June. That Session was opened by Sir Atul Chatterjee in his capacity as Chairman of the Governing Body. Sir Atul also acted, as he had done on many previous occasions, as the senior Government Delegate for India and, I am very glad, at the outset of the few remarks I have to make this morning, to have this opportunity of paying a tribute to the very valuable services he has rendered both to India and to international labour by his long association with the International Labour Organization. He has now held every office of importance which the Conference can confer on the representative of any country and he has played a very large part in creating at Geneva an understanding of, and a sympathy with, Indian aspirations and Indian difficulties in the realms of labour and in acting as an ambassador of Indian thought abroad. (Hear, hear.)

Now, Sir, in the course of discussions on labour questions in this House it is always evident that there are two schools of thought. Of one of them, my Honourable friend, Dr. Ziauddin Ahmad, who is not here at the moment, is the protagonist. That school holds that in the matter of labour legislation Government goes too far and too fast. The other school is led by my Honourable friend Mr. Joshi, who also is not with us today, though not for the same reasons as Dr. Ziauddin. That school contends that Government in these matters proceed at a snail's pace. I think I may claim the support of the House as a whole for the view that our progress in the amelioration of labour conditions is as fast as our circumstances justify, and I would only say that it is a matter of regret to me that, on this occasion as on one or two other occasions recently, it has not been possible for us to translate into action the conclusions which have been reached by the International Labour Conference. As Honourable Members are well aware we are engaged on an extensive programme of legislation for the benefit of labour in this country, but, fortunately or unfortunately it does not always run along the lines which have been dominating the minds of those who meet and deliberate at Geneva.

[Sir Frank Noyce.]

I have circulated to all Honourable Members copies both of the Conventions and of the Recommendations we are considering today and of the report on the Conventions prepared by the Government delegates. The Conventions look distinctly more formidable than they really are. As I have said, there are no less than six of them covered by this Resolution and one by the Resolution which I shall be moving presently; but the six which are the subject of this Resolution consist to a very large extent of a repetition of similar provisions; for example each of the first two Conventions consists of 30 articles. Of these articles twenty-eight are identical in the two Conventions and the remaining two are not entirely different. Twenty of these articles are repeated in the third Convention and only two articles in the fourth Convention differ from those in the third. The fifth and sixth Conventions again are very similar to those which precede them, and a large number of the articles in the preceding Conventions appear in this pair of Conventions. Finally, there is a recommendation supplementing all the six Conventions. I do not propose to weary the House by discussing in detail the articles of these Conventions, because the object of the whole group can be explained in very few words. Once it is grasped, it will, I think, be evident that the ratification of the Conventions by India is not, in present circumstances, a practical proposition. The Conventions are designed to set up a system of insurance schemes. The first Convention is designed to provide a scheme of old-age insurance for industrial, commercial, professional and other workers. The second Convention seeks to do the same for agricultural workers. The third and the fourth Conventions relate to schemes of invalidity insurance, in other words, to pensions to those who are permanently incapacitated by ill-health. Those two Conventions relate to invalidity and insurance for industrial, commercial, professional and other workers on the one hand and for agricultural workers on the other. The last two Conventions, the fifth and the sixth, are designed to secure schemes of widows' and orphans' pensions for the same two groups. The cardinal features of all the schemes are similar. Each scheme is to be compulsory and each scheme is to provide benefits at least equivalent to those specified in the Convention. For example, the maximum starting age for old-age pensions is fixed at sixty-five and orphans are to get pensions in respect of the death of either parent up to the age of fourteen at least. The schemes are to be contributory; the employer and the employee must both contribute and the public authorities must also contribute. Provision is made in all the Conventions that the maintenance of non-contributory schemes shall constitute compliance with the Convention, but as this is limited to schemes already in existence, it does not apply to this country.

Now, Sir, it follows from what I have said that if we were to ratify these Conventions, we should be obliged to set up a system of insurance applicable to nearly all the people employed in this country. We should be obliged to provide them with old-age pensions; we should be obliged to provide them with pensions if they became unfit for work, and we should also be obliged to provide pensions for women and children in the event of their death. I think, Sir, I have only to say this to enable the House to realise that the obstacles in our way are insuperable. Honourable Members will, I think, be able to form some picture in their own minds of the organisation that we should require. That organisation would involve the collection of subscriptions by some means from persons in every village in India. It would involve the collection of contributions from

their employees, and it would also involve the expenditure of public money on a stupendous scale if the contribution of the public authorities was to form any substantial portion of the total. In addition, it would involve the distribution of an enormous number of pensions throughout the length and breadth of this country. I feel sure, Sir, that Honourable Members, however much they may sympathise, as I do, with the objects underlying these Conventions, will agree with me in regarding them as absolutely impossible of attainment in the circumstances which prevail in India. There is no Government, Central or Provincial, which could find the money. I am quite certain that employees would very greatly resent any system of regular deductions from their already small incomes and I am equally certain that employers would find themselves saddled with a burden compared with which their existing obligations to their labour would appear "trifles thin as air". Finally, in a country like India, the administrative expense would be out of all proportion to the benefits that would be received. It is for these reasons, Sir, that I find myself compelled to ask this House to support this motion. Sir I move:

**Mr. President** (The Honourable Sir Shanmukhani Chetty): Resolution moved:

"That this Assembly, having considered the Draft Conventions and the Recommendation concerning invalidity, old-age and widows' and orphans' insurance adopted at the Seventeenth Session of the International Labour Conference, recommends to the Governor General in Council that he should not ratify the Draft Conventions nor accept the Recommendation."

**Mr. Abdul Matin Chaudhury** (Assam: Muhammedan): I must say at once, Sir, that I realise the difficulties of the Government in giving effect to this Convention. These Conventions cover a very extensive field and, in the backward industrial condition of our country, it is difficult to give effect to them as they cover such a wide range of workers, industrial workers, workers in commercial undertakings, all domestic servants, all engaged in liberal professions and all the agricultural labourers. I do recognise the difficulty. Therefore, I shall confine myself only to indicating the direction in which Government usually can take some action.

I do not think it is necessary for me to argue the case for social insurance in India. Government themselves recognise the need of protection of their employees in old age from starvation and in Government departments and, in some of the railways, they have got the old-age pension and provident fund schemes. But, Sir, an overwhelming majority of the Indian workers are unprotected by any scheme of insurance, and nowhere the need for this insurance is greater than in India. Indian workers generally as a class earn so low wages that they find it difficult to lay aside something for their old age. Therefore, when they become old, they find themselves in a miserable condition. According to our old Indian custom, the joint family system provided some sort of insurance for the old age, but, nowadays, owing to the influx of the workers to industrial centres, that system is tumbling down and there is nothing to take its place. Besides, the incidence of sickness among the Indian workers is higher than in any other country, because of the low standard of the life of the workers, the low wages they earn and of the conditions in which they live. So, the case for some kind of social insurance stands on a very strong ground in the case of Indians. I must say that Government have not been unsympathetic in the matter, but their sympathy has not resulted

[Mr. Abdul Matin Chaudhury.]

in any practical benefit to the workers. When, in the year 1927, the Convention regarding sickness insurance was being discussed, Government pointed out, just as they are pointing out today, the practical difficulties in the way and expressed their sympathy with the ideals underlying it. Now, at the instance of the Government of India, some of the Local Governments instituted an inquiry about the feasibility of some scheme of insurance and, if my information is correct, the United Provinces Committee have favoured some sort of scheme, not only for sickness insurance, but also for old age, for marriage and for other social events. That only shows that responsible people in India do not consider the schemes of social insurance as beyond the scope of practical politics. I have got only one suggestion to make with regard to this. I recognise, as I said before, the difficulty of the Government in giving effect to this Convention, but they can make a beginning in this way. Why not introduce legislation for compulsory insurance of all workers engaged in factories who come under the Factories Act? That will be a beginning and a step in the right direction. Unless you take the initiative, conditions are not likely to improve.

**Sirdar Harbans Singh Brar** (East Punjab: Sikh): Mr. President, I do not understand why Government are so hesitant for such a long time to provide these amenities to the poor labourers in this country, such as, the benefit of insurance. People who are generally well provided for during their period of employment to save and provide for needs in emergencies for their children and for themselves if they are disabled are still given pensions after their retirement. But these poor, unprovided for labourers in factories and other places, where conditions of employment also affect their health and the period of longevity of their lives, and who draw very small wages just enough to give them food to carry on with and nothing at all to save and provide for for times of emergency, are absolutely neglected. Almost all countries have by now introduced this form of insurance where the employer and the employee both contribute and the State also plays its part in providing insurance for old age and other sort of invalidity pensions to the workers in the factories and other places of employment. But the chief delegate of India, who played such a prominent part in the International Conference for uplifting the conditions of labour in the world, is hesitating to ratify those Conventions because he feels that India is not yet in a position to introduce these insurance schemes in the scheme of its industrial world. I should have thought that this time, when we are providing so much protection to an industry and the industrialists, we must ask them to contribute by an Act of Legislature towards the insurance schemes which the Government may put forward for being adopted in this country by means of which the industrialists and the persons employed in the industries may contribute a portion of their pay for providing insurance for old age and invalidity and after death to their children or widow. We shall have to fix the old-age limit much lower if we want to benefit anybody in India than is the case in other countries, because the average age in India is much lower than in foreign countries due to weakness on account of poor health and climatic conditions, and so on. I think it is time that the Government should try to consider as early as possible to put forward some schemes so that we may be able to make a beginning for introducing the insurance schemes at least in the manufacturing areas concerning people who are employed in factories and other industrial concerns and thus help to carry out the duty we owe to the poor labourers in the industrial field.

and add to the work done by the International Labour Conference by ratifying the Convention which they may in future adopt. I have not any idea to oppose the motion of my Honourable friend at this moment, because I quite realise his helplessness, but I would suggest to him that he should try at the earliest possible opportunity to give effect to the suggestions made by the Deputy President and myself.

**Sardar Sant Singh** (West Punjab: Sikh): Sir, I rise to support the motion of my Honourable friend, the Member for Industries and Labour, but at the same time I want to take this opportunity of placing my view on this report before the Government. This International Labour Conference deals with questions which are open for discussion by Members of this House and, as I understand them, they do not relate to the foreign policy of the Government of India the discussion of which is barred to the Members of this House. If it be so, there is no reason why the delegation to such a Conference is nominated by the Government without consulting this House. From the present bulletin supplied to us I find that the Government of India Delegation consisted of several members, two of them, Sir Phiroze Sethna . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair cannot allow the Honourable Member to discuss on this Resolution the bigger policy involved in the choice of delegates to the International Labour Conference. An opportunity is afforded to this House, for that purpose when the Government of India come before the House for a vote for incurring the expenditure connected with their contribution to the International Labour Conference. On the present occasion the discussion must be strictly confined to the specific issue raised in the Resolution.

**Sardar Sant Singh:** I submit to your ruling, Sir, but I should like to know whether I am permitted to discuss what the Delegation did there in the Conference itself?

**Mr. President** (The Honourable Sir Shanmukham Chetty) With reference to the specific motion before the House, the Honourable Member will be perfectly entitled to refer to the attitude taken up by the delegates of India in the Conference.

**Mr. Amar Nath Dutt** (Burdwan Division Non-Muhammadan Rural): And condemn them.

**Sardar Sant Singh:** In this connection I find that this particular Delegation consisted of three Indians and four Englishmen. The members of the Delegation took part in the discussions on the motions before the Conference. But when it came to voting, the greatest credit to this Delegation is that they abstained from voting. Now, as I am not to discuss the policy of the Government in appointing them, I may point out what their achievements are in this Conference. The first question that came up was relating to the hours of work, and the report at page 17 says "We did not take part in the final voting".

**The Honourable Sir Frank Noyce:** Sir, I would ask your ruling whether the Honourable Member is not now bringing up matters outside the scope of the Resolution in referring to other questions which were before the International Labour Conference such as the reduction of hours of work.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair thought the Honourable Member was going to refer to the attitude of the delegates with regard to the specific issues raised in this Resolution.

**Sardar Sant Singh:** I am coming to those issues. These are the questions which have been discussed in the bulletin supplied to us and, under each head, there is a part assigned to our Delegation there as regards voting. I am referring to this.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member may make a passing reference, but he must confine himself to the attitude of the Delegation to the specific question raised in this Resolution. He might certainly make a passing reference to other matters.

**Sardar Sant Singh:** This particular motion refers to the recommendation concerning invalidity, old-age and widows' and orphans' insurance. This particular issue is discussed at page 18 of the bulletin. The attitude of the Delegation on this issue was as reported in the bulletin: "We abstain from taking part in the final voting on the Draft Conventions which were adopted." When discussing the next question, I will refer to the similar attitude of our Delegation therein. My submission is that if the Government of India were unable, and it was perfectly clear that the Government of India would be unable, to give sanction to the Resolutions or Conventions adopted in the Conference, it was the duty of the delegates to make the position of the Government of India clear before the delegates of the other countries so that there might be no occasion subsequently for any misunderstanding between other countries and this country. After going through this report what strikes one is that at the time of discussions the Delegation did not take courage in their hands and did not actually oppose the Resolutions in the Conference itself. At this stage it will be interesting to note that the Chairman of the Delegation actually on one occasion administered a mild rebuke to the Director when he tried to give expression to his ideas about industrial development in this country and there he is reported to have said in the speech quoted in Appendix A:

"If industrialism is bound to come in the East, as I believe it is bound to come, it should be the function of this Conference to see that it is accompanied by an improvement in conditions of work and in standards of living. If the movement in the East is properly guided, betterment of conditions, betterment of the standards of living of eastern countries will be the result. It should be the task of this Organisation to see that the industrialisation of the East is not checked, and, at the same time, to help towards the attainment of improved conditions and improved standards of living in eastern countries. I think everyone now recognises that if this Organisation is to achieve permanent results, it must think and act not only in the terms of the West, but also in the terms of the East."

Now, this was perfectly justified at the time when the question of Eastern countries coming in competition in industrial line with Western countries was being discussed. Similarly, if the other delegates had been Indians and in touch with the conditions in India, and if they had cared to place the point of view of Indian economic interests, they should certainly have taken the first opportunity to disabuse the minds of the other delegates not to pass such a Convention or Recommendation thereby avoiding the trouble to the Government of India to come to the House for their non-ratification. My submission is that a system by which the Government of India put themselves in that position is wrong. If we are

to avoid future international misunderstanding, the Government of India should adopt measures after consulting this House, so that the Delegation would have the authority of Indian opinion behind them and not the opinion of the great Mughal sitting at Whitehall.

**Mr. S. C. Mitra** (Chittagong and Rajshahi Divisions : Non-Muhammadan Rural) : Mr. President, I know, as at present placed, the Government of India have no other alternative but to pass such a Resolution. So we shall have also no other course but to support them. But, at the same time, I would like to ask the Government, though they may have great sympathies for the old and sick workers, the widows and orphans of labourers, what have they done during all these years to ameliorate their condition? If anybody requires assistance or help from the State or from public bodies, it is certainly the poorer people in a poor country like India. Government always pose themselves as trustees of the poverty-stricken millions in this country.

I remember I raised this question about old age pension in one of my budget speeches and put interpellations in the Assembly subsequently: the answer of the Government generally was that it was a matter for the Provincial Governments; as if, by merely saying that it did not concern them so much, the Central Government could wash their hands clean. As my friend, Sardar Sant Singh, has said, the attitude of the gentlemen who represented India in the International Conference was not to take any part by voting in this Convention. As I read it, I find in para. 86, it is said :

"This subject also was before the Conference for a second discussion."

So it seems clear that this matter is being considered by this International Conference for some years. It goes on to say :

"All the Governments, which sent detailed replies to the questionnaire framed by the Office on the basis of the decisions reached last year, were in favour of framing international regulations laying down the principle of compulsory insurance, and the Office had put forward proposals for the adoption of 6 Conventions and 2 Recommendations on the subject. The scheme followed in regard to the proposed Conventions was to deal separately with each of the risks of invalidity, old age and death, and in addition to provide a distinction between those employed in agriculture and others."

I would certainly have accepted the sincerity of purpose of the Government had they tried in years past to do anything for the old and sick and the widows and orphans of the labourers. What is the meaning of this sympathy from the mouth of the Honourable gentleman in charge of Industries to say that he has got full sympathy as much as anybody else in this House? What has he done in this direction to bring in legislation, being in charge of the Industries and Labour Department, to provide against the starvation of old and sick workers throughout India? I think a word in that direction telling us specifically what has been done will show real sympathy more than any mere words. I find in the report itself it is said :

"As regards financial resources the principle laid down was that insured persons and their employers should contribute. Assistance by the public authorities was also to be given."

[Mr. S. C. Mitra.]

Some such arrangement should be made whereby the labourer, as well as the employer, should contribute and, if necessary, the State should also help. I would like to hear from the Government what steps they have till now taken in any way to meet any of these exigencies. Throughout the civilised world there are insurance provisions for the old and the sick. Our Finance Member say that the position of India is very strong, that India is ruled in a way that can bear comparison with the whole of the civilised world; but the real test of true government is, what our Government have done for the really needy and the poor? It is no use saying that we can borrow in the international market at the lowest rate of interest. If you put very heavy taxation, you might have a balanced budget; but the true test of a civilised Government is what is being done for the poor who really pay for the enormous resources of this Government? If it is necessary, Government can have 17 or 20 crores of rupees to build a New Delhi: if it is necessary for the army, this Government can meet the highest expenditure for a poor country like India, as compared with any other country in the world. The 'services' in India are perhaps the most highly paid in the world. Everywhere, when it is found necessary, Government can get money. Is it any excuse, when the question is raised for the poor labourers, who form 95 per cent. of the population in India, that money cannot be had, and Government could not find time for the last so many years to bring forward any scheme and then they could tell us how the people's representatives tried to co-operate with them in making such a measure successful. I find in the Appendix the full speech of Sir Atul Chatterjee; but we do not find even a short or brief speech of the member who represented India as labourers' representative or of any other member who represented India on this particular issue, because it is a very vital question. Unlike other ordinary questions of finance, this question vitally affects 95 per cent. of the Indian population, and it is high time that the Government take up in their hands to have some legislation providing for old age and sick insurance and some provision for the widows and orphans of the labourers. As I have said before, I fully appreciate that there is no possibility at the present stage to ratify this Convention, and we shall have to support Government in their Resolution, but, at the same time, they will be shirking their duty if they make themselves blind to the urgent necessity for having some such legislation in the near future.

**Raja Bahadur G. Krishnamachariar** (Tanjore cum Trichinopoly: Non-Muhammadan Rural): Sir, I wholeheartedly support the Resolution of the Honourable Member, and I congratulate the Government of India on having come to the conclusion that they have done. I am chiefly interested in agriculture, and, as a landowner, employing a large number of labourers, I am very pleased that the Government of India have realised the difficult position into which we will be placed if this extraordinarily peculiar insurance scheme is introduced amongst agricultural labourers. My friend, Mr. Mitra, referred to 95 per cent. of labourers—I suppose he had in mind

**Mr. S. C. Mitra:** Both agricultural and industrial . . . .

**Raja Bahadur G. Krishnamachariar:** . . . . a very large number of agricultural labourers: if that is so, my friend, Mr. Mitra, with all his

experience of public life, has not been able to indicate how the Government of India—I am not talking for the Government of India, they do not require my advocacy, and, therefore, leaving them alone,—how we, the landowners, are going to provide . . . .

**The Honourable Sir Frank Noyce:** I am sorry to interrupt my Honourable friend; I should like to assure him that the Government of India are always grateful for his advocacy.

**Raja Bahadur G. Krishnamachariar:** Probably when I have said what I have to say, my Honourable friend will not thank me for it. At the present moment I am concerned with the land owning classes. Already we are pressed with a 50 per cent. deduction of our net income for Government taxation—which generally works to 60 and 65 per cent.—and a road cess, land cess and numerous other cesses that come as a burden upon us, with the result that, if necessary I can prove, out of our scanty income nearly 80 per cent. goes out of our pockets including the cost of production. Added to that the depression which Government Department after Department express their helplessness to get over has reduced the prices of our produce to such an extent that it is very nearly coming to be an uneconomic thing to make any production at all, leave alone the question of a market for the little production that we are now making. Under these circumstances, 20 per cent. of the production we are making being in our hands, how my friend, Mr. Mitra, or anybody else, who has this great sympathy for the poor people,—it is not that I have not got any sympathy for these people,—but to express sympathy here is one thing and to put your hands into your pockets and translate that sympathy into action is quite another thing,—how my friends can make these poor people contribute anything? Take the case of the large proportion of landholders in India, and you will find that it is absolutely impossible to make them contribute anything. As for the labourer, it is admitted on all hands that with his poor wages of between eight and ten annas a day, it will be simply cruel to make him contribute anything, and then you go back to the Government of India. I entirely agree with my friend, Mr. Mitra's suggestion that the Government of India can find money for most of the things that do not benefit us, but if only they will extend the sympathy which the Honourable Member has shown to the poor people of India in other matters where that sympathy is most needed, for instance, in the reduction of taxation which will help both the land owner and the peasant, it would be a much better source of relief than the insurance schemes which those gentlemen over there in Geneva, without absolutely understanding the position of our country, are trying to herald the millennium by making a uniform standard of existence for all countries, of course at other peoples' expense, and not at their expense!

Now, Sir, in the olden days, old-age pensions, pensions for disabilities and other things were not felt in India, because we were living under the old fashioned joint family system, but those who think that the old joint family system is not suited to modern conditions, that it should be broken up, and so on, are now trying to introduce all these things by legislative interference and to shatter all the old joint family system. Where did we think of old-age pensions in olden days when we were all living happily according to our own customs? The reformers have now come into the field and are trying to break up all that is old and good, because only then

[Raja Bahadur G. Krishnamachariar.]

they will succeed in introducing old-age pensions, disability pensions, widows' pension and all that sort of thing. Sir, however nice all these things may sound in England and other foreign countries, it is absolutely impossible for India, not merely now, but, as far as one can see in the future, to provide for. Therefore, I would respectfully request the Government to remember that, when they are dealing with the poor agriculturist, they should try and ease their burden, and only then their sympathy will be better appreciated. Sir, I am thankful for small mercies, that on this occasion at least the agriculturist has been relieved of a burden which was hanging over his head in pursuance of this Resolution which those carpet knights in Geneva framed for us. Sir, I support the Resolution.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

**Mr. B. V. Jadhav** (Bombay Central Division: Non-Muhammadan Rural): Sir, I give a very halting support to the motion brought forward by the Honourable Member in charge of Industries and Labour, and I have to congratulate him on the support he has got from my Honourable friend, Raja Bahadur Krishnamachariar, for Government's inaction in this matter. The Raja Bahadur, as a Sanatanist, always supports those who do not propose to take any action. As top dogs they will always like to remain on the top and will complain of the under dog if he makes any movement towards getting his load off. I am sorry the Raja Bahadur is not in his place and, therefore, I need not say anything further on that point.

The Honourable Member in charge of Industries has got enough sympathy for the poor worker. He is not sparing in his sympathies for the old men, for the widows, and for the orphans. But he sees insurmountable difficulties in the way of coming to their help. The landlords also were very afraid that perhaps they would be called upon to contribute something towards the alleviation of the sufferings of their poor tenants. They did not want to put their hands into their pockets in order to help those on whose labours they have thriven so well for so long a time. The complaint of the landlord is that he has been hit. The complaint of the factory owner is that he has been very hard hit, and the complaint of everybody is that he alone has been very hard hit, while the other sections of the society are doing well, and if there are any persons suffering from famine or old age or anything else, well, then, sympathy for them should be shown by somebody else. The argument put forward by the Industries Member was that, if a system of insurance were instituted, then some contribution would have to be levied upon the wages of the worker, and the worker himself would not like the idea,—he further said nor would the employer himself like the idea,—of being taxed for that purpose. The employer himself would not like to be taxed, there is no doubt about that, because we know that employers all over the world have been very unwilling to contribute anything for this purpose. But if the worker would not like to have his wages reduced, then there is something essentially wrong, and the

reason is that the wages that are paid to the workers are so very low that any cut in them will work very hard on them and they would not be able to keep body and soul together. So, I think that Government ought to go in for a minimum wage so that the poor worker may have sufficient for keeping himself and his family not exactly in comfort, but in a better condition than he is now in, and in that case it will not be difficult for him to contribute towards the insurance fund. Government in their generosity have provided pensions for their servants. The *patawala* of the Honourable Member gets a good salary and, at the end of 30 years, he is sure to get a pension. But what is the condition of the very brother of that *patawala* if he happens to have to work in a mill or in some factory? This man, the worker, the labourer will have to put in longer hours, will have to do very hard work and, at the end of 25 or 30 years, if he then lives,—because life in a factory is a very uncomfortable one and brings in disease in its train,—he is thrown off by his master, he has nothing else to fall back upon, and perhaps he will be at the mercy of his brother who may maintain him or not as he wishes. So, the Government, who are so very careful of their own servants, ought to see that the servants of other individuals or bodies are similarly provided for, and, for that purpose, old-age pensions are necessary. If the mill or factory labourer who is the bread winner of the family dies, his widow has nothing to fall back upon, his orphans are uncared for, they do not get their education and feeding, and boys of six, seven or eight have to earn their living by tending cows or doing something else, so that they remain uneducated and untrained during the rest of their lives. So, there ought to be some provision for their widows and for their orphans. As the Raja Bahadur said just now, in olden days there was not this question about the widow or the orphan or the old man, because, in the old order of things, everything was provided for. But times have changed. The British Government have come in here and, during the 150 years of their rule, things are changing. I am not at all sorry for the breaking of the joint family system. The joint family system was out of date and it was bound to go. In the old order of things, widows and orphans and old men were taken care of, and, now, in the new order of things, something ought to be done for their maintenance. It is the duty of Government now to see that something is done. Government cannot say that they are not in a position to do it. They have to make a beginning as my Honourable friend, the Deputy President, has suggested, and I am very glad to support him. Something ought to be done, and I think a beginning ought to be made for the factory labourers. The question of agricultural labour is a very difficult one and the number of agricultural labourers is immense. But the number of factory labourers is not very big and, therefore, it can be tackled with. I, therefore, urge upon the Government the necessity of doing something for old-age pensions and for pensions for widows and orphans of labourers who are working in factories. Their number will not be large and the working of this relief will not be a very difficult one. In the old days, the agricultural labourer had to work always in his field or near at home. If he had to work for a landlord, the landlord was himself in the position of a parent. If any of his tenants was starving, the granary of the landlord was opened and he was very glad to give him something out of it.

**Mr. G. Morgan** (Bengal: European): When was it?

**Mr. B. V. Jadhav:** About 80 or 40 years ago. Raja Bahadur Krishnamachari would have borne testimony to that had he been in his seat;

[Mr. B. V. Jadhav.]

but then the landlord remained in his village. He was always among his people, but nowadays the landlord has left the village. He wants to be in the big towns and cities and, as my friend suggests, he is also found in this Assembly. Therefore, he has left his tenants at the mercy of his servants who are not so very sympathetic or, even if they are sympathetic, they do not know whether their master would support them in their generous actions. Formerly the landlord put his hand in his pocket to relieve the old man, to relieve the widow and the orphan. Now he has not been doing anything and, therefore, it stands to reason that, as in old days he paid in one shape for the relief of these men, so now although he does not contribute to their comfort directly, he ought to indirectly pay a cess or a tax to the Government for the benefit of the widow and the orphan and the decrepit. The landlord cannot say that this will be a burden on him, because he has all along been bearing that burden very willingly. Now he has left the village. He has come to the town and, therefore, he is not paying his usual share and so, it would not be harsh on the part of the Government to ask him to contribute something and in that way a fund for the relief of the agricultural labourer might be started. But I do not insist that the relief of the agricultural labourer should be taken in hand at once. I suggest that the Government ought to come forward to take up the case of the factory labourer who requires the assistance much more than his brother, the agricultural labourer. In a factory conditions are very insanitary. The factory labourer is not properly housed, not properly fed and not properly treated and, therefore, his life is very short. He is a prey to diseases and consequent weakness, and so on, and, therefore, it is he who deserves the sympathy of Government and of all fair minded people. So I suggest that something ought to be done in the case of the factory labourer. With these words, I lend my halting support to the motion moved by the Honourable Member.

**Mr. G. Morgan:** Sir, I support the Resolution put forward by the Honourable Member. In his own words he sums up the whole position. He said that we all sympathised with the objects underlying these Conventions, but that the obstacles were insurmountable. I think every one of the speakers who have spoken on this motion agrees with that position. With regard to what the Government can do in other directions, with regard to insurance in factories and for the relief of the agricultural labourers, we are all in sympathy. There is no doubt about it that every one sympathises with the position of labour and everything should be done to ameliorate its condition; but dealing with the Resolution before the House, it is perfectly impossible for India at the present moment to ratify a Convention of this description. The mere scope as detailed in the Convention will show that it is not a practical proposition so far as we are concerned in this country, however much we may sympathise with the object.

With regard to what has been put forward by my Honourable friends on my right, I know that the Government and the Department of Industries and Labour are doing their utmost to push on with labour legislation and I am one of those who think that they are proceeding as fast as is desirable at the moment. The Honourable Member in charge referred to another view, coupled with the name of Mr. Joshi, but those views at the present moment are impossible for this country to translate into action. No

doubt very soon we shall see the Government of India coming forward with proposals for old-age pensions and probably some system of insurance in factories, because that is the line on which the Government of India are working, i.e., to proceed with labour legislation. We all know that a new Factories Act has come into being, that the Workmen's Compensation Act has been passed, but we really have to be practical. We cannot take the whole of the labour legislation as is put forward by the Geneva International Conferences in a lump and put it on to this country straight away without having the money to administer those schemes, and this Convention is absolutely impracticable under present financial conditions. In this country something like 75 to 80 per cent. of the population are agricultural, and this Convention includes agriculture within its scope. It would be quite impossible to deal with the situation. I, therefore, support the Resolution as put forward by the Honourable Member.

**Diwan Bahadur A. Ramaswami Mudaliar** (Madras City: Non-Muhammadan Urban): Mr. President if I intervene in this debate, it is neither to express my approval of the Resolution that has been moved by the Honourable Member, nor entirely to express my disagreement of it. It is unfortunate that these Resolutions come up piecemeal, one after the other. I suggest to the Honourable Member that it would be very much better if all the work of the Labour Delegation were placed before the House on a special day for discussion and a whole conspectus of all that work might be given to the Members of the Assembly. I do not think it has been done so far. The result is, that whenever a Convention has to be ratified or whenever a Convention has to be rejected, a special Resolution is brought up, and the House is asked to confine its attention necessarily under the Standing Orders to that Resolution. It is of the utmost importance that the whole work of the Delegation, the attitude that the Government Delegation took up with respect to each of these subjects, the necessity for that attitude, the mandates which they had from this Government and the manner in which they have been discharged should be discussed on the floor of this House.

We are all anxious that Members of this House as well as people outside in this country should be interested in the work of the League of Nations and of the International Labour Office. I know that there is a great deal of feeling in other parts of the world that the masses, the public, of each country should take a greater interest in the work of this International Labour Office, and one of the reasons why Geneva is not able to make a headway is, because in many of the different Parliaments of the world steps are not taken to have a public discussion of this question. At a recent conference this question was prominently brought forward and the suggestion was specifically made that both with regard to the International Labour Office and the League of Nations steps should be taken to have discussions in the Parliaments concerned as to the best means by which public educative work might take place with reference to these Associations. As I find the Honourable the Leader of the House is here, I trust he will give us a day when we may be similarly enabled to discuss the question of the League delegation.

Now, with reference to this Labour Office itself, the employers' delegate goes back to his Association and gives an account of his work. The labour delegate goes back to his Association and gives an account of his work. Now, the Government delegates give no account of their work excepting the papers circulated to this House, and I suggest that they

[**Diwan Bahadur A. Ramaswami Mudaliar.**]

would be fair to themselves as well as to this House if there were to be some opportunity for the discussion of the whole work of the Government Delegation at least with reference to the International Labour Office where no question of foreign policy or other was concerned. That is my first observation with reference to this Resolution. It is perfectly true that on the Budget with reference to the vote on this matter the House can have an opportunity of raising a discussion, but, as you are aware, Sir, under the rules and practice of this House, it is impossible for this House to reach that item at all and, even if it is reached, a discussion on that must necessarily be inconclusive and of a very sporadic character. Now, I venture to make this suggestion both to the Honourable Member in charge of Industries and Labour and the Honourable the Leader of the House that with reference to the work of their Delegations, either at the International Labour Office or at the regular meetings of the League of Nations, an opportunity should be given to this House on a specified day by the Government, say an official day, to discuss the work of these Delegations. For instance, in connection with this particular Resolution I should like to have an opportunity of expressing our very great appreciation of the fact that at long last after so many years an Indian, Sir Atul Chatterjee, is the Chairman of the Executive Board of the Labour Office at Geneva.

**The Honourable Sir Frank Noyce:** But surely the Honourable Member has every opportunity of expressing that appreciation now. You, Sir, allowed me to do so and I am quite certain you will give the Honourable Member the same latitude.

**Diwan Bahadur A. Ramaswami Mudaliar:** Sir, I am not certain whether, if I go beyond the appreciation, the same latitude will be given. Now, Sir, I shall try to confine myself within the four corners of this Resolution. My friend, Mr. Morgan, seems to have been under the impression—I may be wrong and doing him an injustice—that this is one Draft Convention, and that we should either reject or approve this Convention. It is nothing of the kind. The Honourable Member's Resolution refers to a number of Draft Conventions and he has lumped them all for the sake of convenience. I take it, and because he expects the House to confirm his proposals for the rejection of all these Draft Conventions. It is perfectly true that with reference to some of these Conventions the position is as stated by my Honourable friend, but I venture to say that with reference to this the position is not quite so hopeless as the Honourable Member tried to make out, and the Honourable Member has not made out a strong case why those Conventions should not be ratified. Let me take the different Conventions. The first is the Convention regarding old-age and widows' and orphans' insurance. I will leave that aside for the time being. Coming to the Convention relating to invalidity, I should like to know whether the Government of India made any report to the International Labour Office with regard to this Convention. I find from this report that all the Governments which sent detailed replies to the questionnaire framed by the Labour Office on the basis of the decisions reached last year were in favour of framing international regulations laying down the principle of compulsory insurance, and the Labour Office put forward proposals for the adoption of two recommendations. Did the Government of India send in any detailed reply to the questionnaire of the International Labour Office on that subject?

**The Honourable Sir Frank Noyce:** No, Sir. Our reply was that we were not in a position to offer any useful observations on the subject as we had had no experience in regard to it in this country.

**Diwan Bahadur A. Ramaswami Mudaliar:** It would have been idle for me to think that the Government of India were one of those Governments which had given a favourable reply. I expected that reply from the Honourable Member.

**The Honourable Sir Frank Noyce:** The Honourable Member knows the conditions in this country as well as I do.

**Diwan Bahadur A. Ramaswami Mudaliar:** I am coming to that. I should like to know why, if the conditions are so patent and obvious, the Government Delegation took up this attitude of not voting either way when this question came up for discussion. Why was the Government delegate neutral on this subject? Sir, I remember to have read somewhere :

"Be this or that when things are said or done  
Both snow and rain have friends,  
But slush has none."

I ask the Honourable Member why he instructed the Government delegate to put slush with reference to all these proceedings? Either they accept a Convention or reject it, and I ask him again to consider whether that attitude of neutrality is in keeping with the dignity of his own Government. If the conditions were so patent or obvious that even a Member sitting on this side of the House must not necessarily consent to the ratification of this Convention, surely the Government Delegation at this Conference could have only one answer to give, namely, that they were not prepared to adopt these Conventions. Why did they adopt a dubious position? Why have they shoved the responsibility on to this House to say that the Draft Conventions are so hopeless that they cannot be considered seriously.

I would now take up the Convention with regard to invalidity. The invalidity Convention is with reference to persons employed in industrial, and, commercial undertakings, in the liberal professions and for out-workers and domestic servants. Now, under the Convention, a National Government has got the right of making a series of exemptions, and those exemptions are so numerous, so varied and so large that a large class of these persons can be exempted and the invalidity Convention would only apply to a very limited class if every one of those exemptions is put into operation. I would ask the Honourable Member why he says that this Convention is so hopeless in present circumstances that it cannot be at present applied? Could it not be applied to industrial workers? There is a clause which says that a National Government can exclude the liberal professions, there is a clause which says that they can exclude a large number of domestic workers, and there is a clause by which persons who get a salary of more than a definite amount, to be fixed by the National Government, can similarly be excluded. With reference to all these exceptions, the Honourable Member must surely make out a case why he thinks that it is impossible to apply this particular Convention to invalidity pensions, pensions of workers employed in industrial concerns. Now, the employers are concerned in it, the wage-earners are also concerned in it and I want to repudiate at once the suggestion made by my friend, Raja Bahadur Krishnamachariar, for

[Diwan Bahadur A. Ramaswami Mudaliar.]

whom I have very great respect in other matters, that the wage-earner would not be willing to part with a certain amount of his wages to build up a fund like this, an insurance fund . . . . .

**Raja Bahadur G. Krishnamachariar:** What is the Honourable Member's authority for that?

**Diwan Bahadur A. Ramaswami Mudaliar:** In this country we know that many private employers have a system of provident fund, a fund into which the employee pays a certain amount and the employer pays a certain amount.

**Raja Bahadur G. Krishnamachariar:** I was only talking of the agricultural labourer.

**Diwan Bahadur A. Ramaswami Mudaliar:** My friend, if he had gone through this Convention, would have found that there is a clause with a view to differentiating the agricultural from the industrial labourer. Then, with reference to this old-age insurance itself, there is a Draft Convention for the non-agricultural labourer and there is a Draft Convention concerning old-age insurance for those engaged in agricultural undertakings. Do you think the conditions of this country are such that the problem is too vast for all including the agricultural labourers? There is a clause which relates to non-agricultural labour, to industrial labourers, why do you not ratify that? The problem as a whole is still of a manageable size, and I venture to think that within the next few years, if steps can be taken with reference to it, it will not be impossible to adopt the Convention with reference to non-agricultural and predominantly industrial workers. Industrial workers, I may assure 3 p. m. my friend, are not at all unwilling to contribute something to build up an invalidity insurance fund and, for the present, I wish to restrict myself to the position of invalidity funds. I have not heard the Honourable Member making out a case with reference to that. Unfortunately I was not present when the Honourable Member moved his Resolution but, from such inquiries as I have been able to make from my Honourable friends, I do not think any case has been made out with reference to this particular Convention as applied to the labourers in industrial pursuits. So we cannot possibly reject this Convention as if it was of no concern at all. My Honourable friend, Raja Bahadur Krishnamachari, seemed also to imply that these Western nations meet at Geneva, do not take into consideration at all the conditions that are applicable to oriental countries and Eastern countries, put forward certain absurd propositions which may be all right with reference to them, but which look ridiculous on the face of them with reference to foreign countries and, no regard should, therefore, be had of these Conventions. My Honourable friend, the Member in charge, knows it perfectly well that the International Labour Office makes a vital distinction between various countries, and those conditions are modified suitably to be made applicable to local conditions with reference to many matters. Conditions in the East are especially taken into account and the draft Conventions in many cases are suitably modified in order to make it possible for such Conventions to be applied to foreign countries. Therefore, it is no use having general prejudices without a

knowledge of the work that is going on at the International Labour Office and the kind of discussions that are going on there. There is one more reason why there should be greater publicity with reference to this work and greater opportunity for the Members to acquaint themselves more thoroughly with what is taking place and what is being said by the various Delegations.

I cannot now refer to the next Resolution which seems to me even more curious than the present one. We shall have a discussion on it when it comes forward, but I do venture to think that the Honourable Member may reconsider his position with reference to the invalidity insurance, and find out whether, if not now, within the next year or two, he may not be in a position to bring forward more definite proposals with reference to that Convention.

**Mr. A. G. Clow** (Government of India: Nominated Official): Mr. President, I do not think any of the Members who have spoken so far has opposed the Resolution, but a good many of them have suggested that, while not ratifying the Conventions, it was time we made a start of some form of social insurance. Most of them have followed the lead of the Honourable the Deputy President who suggested that sickness insurance was probably the best form of insurance on which to start—a view which is a very reasonable one, possibly the only one that can be adopted. Unfortunately, sickness insurance falls outside the scope of these Conventions, as the Deputy President himself realised, but it is not a subject on which we are entirely idle. The Standing Advisory Committee attached to our Department is dealing with the recommendation of the Whitley Commission on this subject. It has already had one discussion on the question and, in the course of this Session, it will have before it further material collected from England. At the same time, I cannot promise that there will be any very comprehensive advance in this direction, because I am afraid I do not share the views of the last speaker that the workers are very ready and willing to contribute money to build up funds for purposes of this kind. I would like to give the House a very small actual experience of last year in this connection. We tried to start a scheme at Khewra where, as Honourable Members are aware, the Government of India own a salt mine. We worked out a scheme by which Government, in addition to paying the whole cost of the medical attention, were to provide half the cost of the financial benefits, that is, the actual proportion of wages—which was, I think two-thirds wages in this case—to be given when the workman was ill. We asked the miners to contribute the other half, which was to be their only contribution, and we estimated that it would come to half an anna in the rupee of wages. They quite emphatically, and practically unanimously, declared they would have nothing to do with it: and Government felt that they really ought not, under the circumstances, to make the deductions compulsory, particularly as they have certain legislation for preventing other employers from making certain compulsory deductions under consideration. I do suggest to those Honourable Members who have spoken, I may say, more for the workers than as representing the actual views of the poor classes of this country that you have to educate public opinion a great deal more in the whole conception of insurance before the kind of deductions that are contemplated by these Conventions will be generally accepted.

My Honourable friend, Sardar Sant Singh, made some rather curious observations on what happened at Geneva. After informing the House

[Mr. A. G. Clow.]

that the Delegation consisted of four Englishmen and three Indians, he went on to accuse them of lack of courage. Actually the Delegation consisted of six, four Indians and two Englishmen, the leading Government delegate, the employers' delegate and the workers' delegate being all Indians. I think the Honourable the Leader of the Opposition rather echoed the suggestion that in not voting on the Convention they were showing a lack of courage. He recognised, of course, as my Honourable friend, Sardar Sant Singh, did not, that they were acting under instructions. But was there any lack of courage exhibited? You have a set of Conventions which are apparently acceptable to the great bulk of countries who happen to be European. Those countries want these Conventions, because they find it suits their conditions to have them. India happens to find that it does not suit her conditions. Is she, therefore, to stand up and say: "Because our conditions are such that these Conventions are not acceptable, therefore we will do our best to see that you have no Convention at all." Surely there is no lack of courage in saying that, as this matter apparently suits the bulk of the countries but does not suit us, we will be placing India in a false position if we support the Convention, but we ought not to oppose it. That, I think, was the line that the Government delegate took.

Then, my Honourable friend, Sardar Sant Singh, went on to refer to the "rebuke" which he apparently thought Sir Atul Chatterjee had delivered to the Director of the International Labour Office. I think this impression of his must have been founded on a very hasty reading of Sir Atul Chatterjee's speech. He begins by a very warm eulogy of the Director for his excellent report; and in the passage to which my Honourable friend referred he was alluding not to any remarks of the Director, but to the remarks of a number of other speakers who had spoken on the Director's report. Some of them, as he explains, had expressed an apprehension with regard to the effects on the West of the industrial competition of foreign countries. Sir Atul Chatterjee went on to say that that development was inevitable, a view with which, I am sure, every Member in this House will agree. The Director had not at any time suggested the contrary view.

I think the last speaker in the course of his remarks said that we were "shoving the responsibility" on this House and wanted a discussion not merely on Conventions, but on the Conference in a sort of general way. The responsibility is shoved on the House by the Treaty of Versailles and it is not a very easy Treaty to alter. We have to put these Conventions before the House within a year of the close of the Conference or at the outside 18 months and we have to get the view of the House upon them. That is all we are doing by means of these Resolutions and I think the Honourable Member will agree that practically all the important subjects discussed at Geneva come up sooner or later. It is perfectly true that we have at times to deal with them piecemeal, but today at least we are dealing with all the Conventions that were passed at the last Session of the Conference.

**Mr. Amar Nath Dutt:** Sir, with my Honourable friend, Mr. Jadhav, I have also to give a halting support to the Resolution before the House.

The object with which the Conventions and the Recommendations concerning invalidity, old-age and widows' and orphans' insurance were

adopted at the Seventeenth Session of the International Labour Conference is highly laudable and no one who has any grain of humanity in him can oppose such a Recommendation unless it be on the ground of impracticability or unsuitability to the conditions of the country to which it is going to be applied. We have been told that it is not only unsuitable, but it is also impracticable at the present moment. I also realise the difficulty of introducing at the present moment any sort of insurance either in the factories or among the agricultural labourers at the present moment. At the same time I cannot but feel sorry that the only provision from dire starvation that is possible to be made for the wage-earners upon whose labour we, the so-called bourgeois, live has not been made. It is our bounden duty to see that these wage-earners were not put to difficulty in order to get their daily bread owing to invalidity or old-age or of widows and orphans. My Honourable friend, Mr. Jadhav, had a fling at the Sanatanist views of Raja Bahadur Krishnamachariar. This was neither the occasion nor the time to discuss the views of Sanatanists on the floor of the House. We are here concerned purely with economic questions and whether or not the conditions of the country are such that we can recommend to the Governor General in Council to accept the Recommendation of the Seventeenth Session of the International Labour Conference. If the Raja Bahadur has spoken from the point of view of the Zamindar, I think he has not overlooked the claims of agricultural labourers upon whose labour depends the existence of his zamindari. My Honourable friend, Mr. Jadhav, probably misunderstood him and I do not want to take up the brief on behalf of the Raja Bahadur, because I know he is strong enough to hold his own against any combatant that may make his onslaught against Sanatanism or his cherished views. But I felt, when Mr. Jadhav was speaking he was dealing with an infinitesimally small proportion of the wage-earners of the country. It seemed that the idea of some of the Members is that it is not applicable to agricultural labourers, it is only applicable to factory labourers. Sir, the factory labourers form a very infinitesimally small part of labourers and wage-earners of India. If you really want to make provision for the destitute and if you do not want to remove the squalid poverty of the labourers it is your bounden duty to provide for all classes of labourer. For myself I will not make any distinction between a factory labourer and an agricultural labourer, because I myself have lived among agricultural labourers in villages, and I know their conditions. If some of my friends who come from towns with their knowledge of factories, if they go to far off villages, they will find the conditions there are more appalling. In the towns they do not get all the necessities of life, because of their extravagance due to intemperate habit and immoral character, but the same complaint does not apply to agricultural labourers who live in villages. They are temperate in their habits and they have no temptations of any kind which we have in the slums of towns. In spite of that, their conditions are such that they can hardly get even enough salt to mix with their rice or *chapati*. If it is not possible to make any provision for these poor wage-earners and agricultural labourers in the villages, it is hardly necessary to attempt only to improve the condition of those who have been dragged from villages into factory life. I, for one, do not believe in industrialisation of the country and I do not think that any good can result from it. If I had any power, I would have destroyed all the tall chimneys on the banks of the *Bhagirathi* which drags men from villages to these slums in towns where they live such immoral and vicious lives which not only ruins their health, but is at the root of their poverty, these being foreign institutions which

[Mr. Amar Nath Dutt.]

have been introduced into this country by the influx of foreigners. I wish that it may be possible for us to eliminate the factories and factory labour from this country so that we may preserve our ancient culture and civilisation, for which the Raja Bahadur has pleaded, and so that we will not have to go to Geneva to have recommendations from these Conferences.

**Mr. B. V. Jadhav:** Can we go back to the old traditions?

**Mr. Amar Nath Dutt:** Yes. Although I am not a reformer of the type of my Honourable friend, Mr. Jadhav, I believe that we can go back to the old days if we really wish. Be that as it may, I am submitting that we have no other alternative but to support the present Resolution though, as I have already submitted, giving it a halting support.

**The Honourable Sir Frank Noyce:** Sir, I have listened with great interest to the discussion, but I must confess that it has left me in a somewhat confused condition. I gather that I have only been accorded the half-hearted and halting support of the House or rather of the great majority of the House. The general attitude of the House towards my motion seems to be "we think that Government ought to do something, but we do not quite know what". During the luncheon interval, I made some very hasty researches and I should like, if I may, to bring the House up against the hard facts of the situation. I found, while studying the last census report, that there were in India nearly eight million people over the age of 65: of those we may take it there are three-quarters in British India. Now, it is obviously quite impossible to say how many of them have been employed in industries and agriculture to which the Conventions we have under consideration today would apply. Then, again, we should have to exclude almost all females, who are probably more than half those six millions. But if we put it, that no more than 20 per cent. of those six millions were employed in occupations to which the old-age pensions Convention would apply, we shall get a figure which would involve an annual payment of over rupees seven crores, assuming that you gave them a pension of Rs. five a month. A pension of Rs. five a month would involve the payment of a sum of Rs. seven crores on the very moderate estimate I have given of the number of people that would be affected. I think that that shows the magnitude of the problem we are faced with and I think it is correct to say that old-age pensions would be only a small part of the burden. You have got the widows' and children's pensions; you have got the pensions for invalidity. I would ask the House where the money to pay for schemes like these is coming from.

My Honourable friend, the Leader of the Opposition, in a speech delivered with his usual eloquence, wanted to know why we could not separate one Convention from another. He picked out the invalidity Convention as the one to which he thought we might adhere. I would venture to remind him that the ratification of a Convention means the necessity for immediate action. If my recollection serves me rightly, I think that, in this case, if two or three States ratify the Convention, it comes into immediate operation. We may safely assume that the ratification of two or three States will be secured in the near future; and I would ask my Honourable friend how it would be possible to bring this Convention into operation in

the time permitted even if the money were forthcoming. The administrative difficulties are insuperable. My Honourable friend knows as well as I do that the turnover of labour in this country is very great. In Western countries, the employees stay in the same employment for many years together: many of them possibly for a lifetime. In how many cases does that happen out here? Even if our financial position were infinitely better than it is and we saw some prospect of money forthcoming to pay for schemes of this character, how are we to get the statistical material on which to work? My own view is that we should find that the invalidity Convention was the most difficult to work from the administrative point of view. As regards the burden on industry, I should like to draw the attention of the House once more to the fact that these Conventions are framed on the basis of contributions—contributions from the employer, contributions from the employed and contributions from Government. My Honourable friend, Mr. Clow, has shown the reluctance of the employed to make their contribution. Members on the other side know as well as I do, in present financial conditions, how reluctant Government would be to make their contributions; and, as regards the employers, we have only recently passed the Workmen's Compensation Bill; we have before us the Factories Bill which, owing to the fact that its most important provisions relate to reduction of hours, is bound to some extent—I would go further and say to a very large extent—to involve additional burdens on the employers. I would ask the House once more to consider how far we should be justified in inflicting any further burdens on the employers in the present state of the industry and in the present conditions of financial depression. I should like to express my agreement with my Honourable friend, the Deputy President, in the view that, when the time comes, it would probably be expedient and convenient to make a beginning with schemes for factories as it is there that we can get the best material and on which to work and are likely to find the administrative difficulties involved less than in other occupations. But I do suggest that that time is still a considerable distance off and I feel myself that our best line of advance lies in the direction of formulating schemes for sickness insurance in industrial employment. As my Honourable friend, Mr. Clow, has explained, that is a subject which is engaging our attention, though I must honestly confess, as he has done, that the road is long and that the way is going to be very difficult. Meantime we in this Department will, I trust with the support of the House, go on our way with our measures to improve labour conditions, not perhaps as rapidly as some Members opposite whose sympathy with labour has been so forcibly expressed today could wish, but I hope as rapidly as is consistent with conditions in this country, looking at them as a whole.

**Mr. President** (The Honourable Sir Shannukham Chetty): The question is:

"That this Assembly, having considered the Draft Conventions and the Recommendation concerning invalidity, old-age and widows' and orphans' insurance adopted at the Seventeenth Session of the International Labour Conference, recommends to the Governor General in Council that he should not ratify the Draft Conventions nor accept the Recommendation."

The motion was adopted.

**RESOLUTION RE NON-RATIFICATION AND NON-ACCEPTANCE  
OF DRAFT CONVENTION AND RECOMMENDATION CONCERN-  
ING FEE-CHARGING EMPLOYMENT AGENCIES.**

**The Honourable Sir Frank Noyce** (Member for Industries and Labour): Sir, I beg to move the following Resolution:

"That this Assembly, having considered the Draft Convention and the Recommendation concerning fee-charging employment agencies adopted at the Seventeenth Session of the International Labour Conference, recommends to the Governor General in Council that he should not ratify the Draft Convention nor accept the Recommendation."

The Convention with which this Resolution, which my Honourable friend, the Leader of the Opposition, has described as of a somewhat curious character, is concerned, is both shorter and simpler than those we have just been discussing. I hope I shall succeed in convincing him that the Resolution has the fullest justification.

The main object of the Convention is to secure the abolition of all employment agencies which are conducted with a view to profit within a period of three years from the date on which the Convention comes into force for the States which ratify it. During that interval, the existing agencies are to be carefully controlled and no new agencies are to be allowed to come into existence. Further, those agencies which are not conducted for profit are only to work under licence, are to be officially supervised and have their scales of charges limited. Nor is it necessary that agencies should charge fees to employees to come under the ban. Agencies which charge fees to employers are also to be eliminated. Even persons, companies, institutions or organisations which assist people to find employment free of all charge and without making any profit have to file a declaration with the competent authority. Honourable Members may find it a little difficult to understand—as I do myself—why the Conference should have been so anxious to curb, control or eradicate private employment agencies. It is perfectly true that from time to time those seeking employment are victimised by fraudulent organisations which take money from them under a pretext of finding employment without having the means or even the intention of doing anything adequate in return. Cases of this kind are not entirely unknown in this country. They have probably come under the observation of a great many of us here and they have undoubtedly occurred in every country of any importance. The anxiety of the Conference to prevent the possibility of workers being exploited by fraudulent or unsatisfactory agencies is intelligible, but I venture to express the hope that most Honourable Members will agree with me that the proposals embodied in the Draft Convention go far beyond anything that is necessary for this purpose. Even in those countries where the criminal law is not adequate to prevent possible abuses, it would have been possible to prohibit the charging of fees to the workers, and this was a course which the Government of India suggested to Geneva, but which was not adopted.

Now, Sir, it seems to me that in adopting this extremely drastic Convention, the Conference has been actuated not by a desire to prevent fraud, but by an anxiety to ensure that the organization of the labour market should become a direct responsibility of the State. If Honourable Members will refer to the Recommendation, they will see that the Draft Convention is intended to supplement the provisions of a Convention and Recommendation which were adopted at the first Session of the

Conference in Washington in 1919. The object of the earlier Convention was the establishment of a system of free employment agencies, and the Recommendation was that measures should be taken "to prohibit the establishment of employment agencies which charge fees or which carry on their business for profit". The present Convention thus represents an endeavour to secure that free public employment agencies shall be the only form of agencies permitted to operate.

Now, Sir, I have nothing whatever to urge against the extended use of free public employment agencies. Agencies of one type have proved very valuable in western countries, and under our various Famine Codes we maintain agencies in this country which have proved of no less value. But I cannot myself see—possibly I shall receive some enlightenment in due course from my Honourable friend, the Leader of the Opposition,—I cannot myself see that the existence of free employment agencies affords an adequate reason for preventing any one else from engaging in this very useful form of work and receiving reasonable remuneration for his service. In any case I am satisfied that there is no sufficient ground for legislating in India on the lines of this Convention when we have so many more, far more, important questions occupying our attention in my Department, and I trust that the House will endorse this view. Sir, I move.

**Mr. President (The Honourable Sir Shanmukham Chetty):** Resolution moved:

"That this Assembly, having considered the Draft Convention and the Recommendation concerning fee-charging employment agencies adopted at the Seventeenth Session of the International Labour Conference, recommends to the Governor General in Council that he should not ratify the Draft Convention nor accept the Recommendation."

**Mr. Abdul Matin Chaudhury (Assam: Muhammadan):** Sir, I do not find myself in agreement with the Government of India in their decision not to ratify this Convention. The Government of India favour the abolition of agencies which charge fees to the workers, and this for the simple reason that it leads to the exploitation of the workers, and I do not understand why they cannot extend the same principle to the agencies that charge fees to the employers, because the agencies that charge fees to the employers are as much liable to abuse as the agencies that charge fees to the workers . . . .

**The Honourable Sir Frank Noyce:** The employers can look after themselves far better than the workers.

**Mr. Abdul Matin Chaudhury:** The Honourable Member then said that there was not sufficient ground for legislation on this Convention. I am surprised at this statement. No one knows better than my friend, Mr. Clow, the standing scandal of the licensed broker system in regard to seamen, an agency that charges fees to the employers . . . .

**Mr. A. G. Clow (Government of India: Nominated Official):** May I interrupt the Honourable Member? This Convention does not apply to seamen.

**Mr. Abdul Matin Chaudhury:** I was merely giving the House an example of an agency that charges fees to the employer in order to show how this is liable to abuse. My friend, Mr. Clow, himself knows this, because he was the Chairman of the Seamen's Recruitment Committee, and his Report revealed such a scandalous state of affairs that the Government of India thought it wise to expunge the first three paragraphs from it before publishing the Report. If the condemnation of Mr. Clow of an agency that charges fees to the employer is not sufficient to convince the Government of India, I do not think that anything I shall say will have any better effect.

The Honourable Member has referred to the Washington Convention of 1919. That Convention has been ratified by the Government of India, and it follows as a logical sequence that this Convention should also be ratified by the Government of India. Having ratified the Washington Convention of 1919, I think it is in the fitness of things that the Government of India should ratify this Convention also.

Then, Sir, there is another reason why they should ratify this Convention. Owing to the prevalence of unemployment in this country, a large number of service securing agencies have cropped up like mushrooms in various parts of the country, and the unfortunate unemployed lured by the prospect of employment often fall victims to these agencies. If this Convention is ratified and legislative effect is given to it, it will put a stop to a lot of abuse.

**Mr. S. C. Mitra** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Sir, on this question my inclinations are more with the Honourable Member who moved this Resolution than on the side of the Honourable the Deputy President. I do not understand why the service securing agencies should be abolished, or if they are not permitted to charge any fees, I don't see why it should be regarded that they are not for the good of the labourers. We know that in this country the illiterate labourers do require some intelligent people to look after their interests, to secure better terms and to provide work for them. If there is any abuse, there are the penal laws of the country to deal with them.

I was rather surprised to find that it is proposed to exclude the seamen from this Convention. I hope the Government or anybody else who was present in that Conference will explain why this Convention should not apply to seamen also, nor can I understand why, in these days of unemployment, the service securing agencies should be discouraged in any way. On these grounds, Sir, I support the Resolution, but at the same time I should like to say this. I find that here also, our representatives in the Convention did not take any part. "We did not take part in the final voting . . . ."

**An Honorable Member:** As usual.

**Mr. S. C. Mitra:** Yes, as some of my friends says, as usual. If I could follow my friend, Mr. Clow's argument, it would appear that on particular matters, where he thought that other countries should be permitted to adopt methods convenient to them, our representatives remained neutral, but I do not know why in matters immediately concerning this country they did not take part in the final voting. Sir, I have carefully gone through other matters, and I find that our representatives

did not take part in the final voting, in almost all of them. If that be so, I think the easiest way is to save some money to this poor country by not sending any representation at all. But on the whole, I think that the Convention should not be accepted by India.

**Mr. G. Morgan** (Bengal: European): Sir, I support the Resolution put forward by the Honourable Member. I have very little to remark in supporting this Resolution except to ask what could be put in its place? I have had a great deal to do with labour in Eastern Bengal, and I do not know of any agency that we could put in its place if we did away with the so-called fee-charging employment agencies. The *sardar*, and employment agencies of that description, have practically, as far as my work was concerned, supplied the whole of the labour, and there is no way in which the free movement of labour, so far as I know, could be brought about under any agency by which fees would not be charged, and where those agencies would come from unless they were set up by Government I do not know. Government would have to pay the *sardar* to go about the country for labour. Labour does not move freely from place to place; it moves into certain centres and *sardars* collect that labour and bring it down to centres of employment. I do not know of any possible way in which we could meet the situation if we were to ratify this Agreement. Therefore, Sir, I support the Resolution.

**Raja Bahadur G. Krishnamachariar** (Tanjore cum Trichinopoly: Non-Muhammadan Rural): Sir, there are a few matters which I have not been able to understand in connection with this Resolution. Does it or does it not apply to a set of people called *kanganies* that we have in Southern India? I believe it does, because, from my Honourable friend, Mr. Morgan's speech, which referred to the *sardar*, *kangany* is a counterpart of the *sardar* in Southern India. I happen to know a little bit of the way in which the *kanganies* collect labour for Ceylon, how they are huddled together in their dépôt near Dhanushkodi and then shipped on to Colombo there to find that practically 50 per cent. of their earnings are devoured both in repaying the advance to these *kanganies* and by various other little charges which nearly make up more than 50 per cent. of their wages. Besides they are given glowing accounts of the way in which they would be treated in this colony. But when they go and join the plantations there, they find that their conditions are far worse there than those that obtain in their own homes from where they were most of them literally kidnapped, that is to say, kidnapped in this sense, removed from their centres after a great deal of misrepresentation. There are certain places, one of them is Trichinopoly, where these unfortunates are collected. Once a man gets into the clutches of a *kangany*, it is absolutely impossible for him to get out. He finds the truth a little later even before he is put into the train to go to Colombo, but he is not allowed to go home, because he has already come into the grip of the *kanganies*; he has already received some advance which advance he is unable to repay and is never able to repay even after getting into Colombo. That, Sir, is my information, and I think it is the experience of most of our South Indian people from whose places these labourers have been taken away. I have had instances of persons taken from my own farm who had gone to Colombo, who had suffered misery and who were not able to save all that fabulous fortune which they were told was only in wait for them in Ceylon. They come back broken

[Raja Bahadur G. Krishnamachariar.]

and shattered in health and in morals, and, Sir, unfortunately for them they are not able to slip back into the position in which they were before they went, with the result that the amount of suffering that the families of these persons undergo is simply indescribable. I am not exaggerating the position. I have no interest in either supporting or opposing this proposition. But, Sir, no one who knows anything about the *kanganies* will hesitate to support the Convention.

Now, there is another set of people who recruit labour for the Assam tea plantations. With them it is even worse so far as labour from South India is concerned, and I believe it is not difficult to collect at least 50 cases within the last ten years which have gone to a Criminal Court in connection with these labour recruiting agencies. I have got lands as so many other persons have, and at times the difficulty that we experience in finding labour is simply indescribable. If these gentlemen start large plantations, why they should be helped with the perpetuation of these agencies, who, in nine cases out of ten—I am not exaggerating, I am quite prepared to prove it, given a chance—in nine cases out of ten recruit their men out of false representation and take them away to distant places where they cannot effectively make their representations regarding the troubles and tribulations that they undergo, I can never understand. Why should these agencies exist? Labour is free. Capital is free. The employer is free. If the employer is willing to pay, if he is really honest in his payment, there is no end of labourers at all. The fact of the matter is that he tries to get these men through an agency which probably he himself knows in many cases is not quite straight. Therefore, if this Convention will apply to the *kanganies* and others who would not be free to indulge in their pranks in kidnapping these unfortunate labourers from their own homes, I submit, it is a good thing to reject the portion of the Convention relating to it. That, Sir, is my submission to this House.

**Mr. Amar Nath Dutt** (Burdwan Division : Non-Muhammadan Rural) : I also support the Resolution which has been moved by the Honourable Member for Industries and Labour. In a country like India, where unemployment is growing daily more and more and the unsophisticated villagers do not find employment, you cannot expect that there will be an agency to find employment for them without getting some remuneration. Such people on earth are rarely to be found who would render service for others without any remuneration whatsoever. Of course, the class against which my Honourable friend, the last speaker, the Raja Bahadur, spoke—I am not aware of the evil he was speaking of, but I am aware of another evil in my own province, and I think Mr. Morgan will bear me out when I speak of the *arkatis*, by whom coolies were recruited from Bengal villages. If the Draft Convention had referred to the abolition of that despicable body of cooly recruiters who were a menace to humanity, to religion and to morality. I would be the first man to support the Government if they brought in a Resolution to ratify the same. But so far as I see from the wording of the Resolution, I do not find anything there which relates either to the cooly *arkatis* of Bengal or that despicable class of people about whom my Honourable friend, the Raja Bahadur, spoke. That being so, I think this Resolution will have the whole-hearted support of every one in this House not excepting my Honourable friend, the Deputy President.

**Mr. Gaya Prasad Singh** (Muzaffarpur *cum* Champaran: Non-Muhammadan): Sir, I also rise to support the Resolution before the House. Reasons have been advanced by my Honourable friends, Messrs. Morgan and Mitra, and other speakers; and so I need not enter into details. My Honourable friend, the Raja Bahadur, has related the story of a class of people in his part of the country whom he regards as an undesirable class of persons. May I remind him that there is another class of persons,—*pandas*—who guide pilgrims to temples, and they also charge regular fees? Will my Honourable friend, with his orthodox conservatism, be prepared to support a proposal which seeks to do away with that class of persons?

**Raja Bahadur G. Krishnamachariar:** I will support to do away with every kind of fraud?

**Mr. Gaya Prasad Singh:** My Honourable friend says that he is prepared to support any proposal which seeks to do away with fraud. Now, there is the Indian Penal Code which is open for the conviction of any person who resorts to fraud. Now, take the priestly class, for instance. I am not going to stigmatise that class of people as frauds. I have got very great respect for some of them. That is a class which requires reform, and, consistently with the views he has expressed, I should expect the Raja Bahadur to bring forward a concrete suggestion for at least curbing the admitted abuses of that class of people.

Now, there was a Bill some times back seeking to regulate the employment of labour in the tea plantations of Assam. I was a member of that Select Committee, and I do not remember any proposal which was then brought forward seeking to do away with the fee charging agencies. In these days of unemployment, the existence of some sort of agency like that is at the worst a necessary evil and I do not see why the Draft Convention should try to do away with that. I read in the papers that have been supplied to us:

"The Committee then decided that the fee-charging employment agencies, conducted with a view to profit, should be abolished within three years from the date on which the Convention came into force.

Under Article I 'fee-charging employment agency' means employment agencies conducted with a view to profit, that is to say, any person, company, institution agency or other organisation which acts as an intermediary for the purpose of procuring employment for a worker or supplying a worker for an employer with a view to deriving either directly or indirectly any pecuniary or other material advantage."

Now, that is very comprehensive indeed. It not only brings within the clutches of the law any one who directly induces another to seek employment, but also indirectly. I, therefore, submit that this is too comprehensive a provision and it is well that we should not ratify this Recommendation. With these few words, I support the Resolution before the House.

**The Honourable Sir Frank Noyce:** I should only like to say that I am very glad to find that this motion has received more wholehearted support than my previous one.

**Mr. Abdul Matin Chaudhury:** Will the Honourable Member tell us, so that the House may understand the full implication of what it is voting

[Mr. Abdul Matin Chaudhury.]

for, whether the *kangani* system and the *arkati* system to which reference has been made come under the category of the agencies which charge fees to the employers?

**The Honourable Sir Frank Noyce:** Does the Honourable Member refer to the recruiting of labour for the tea plantations in Assam?

**Mr. Abdul Matin Chaudhury:** I am referring to the *kangani* system alluded to by the Raja Bahadur and the *arkati* system which was in existence. The House should understand, whether, by supporting this motion, they are voting for the continuation of this system.

**The Honourable Sir Frank Noyce:** I can assure the Honourable Member that, in voting for this Resolution, the House is not voting for the continuance of any system. I cannot speak with any certainty in regard to the *kangani* system of recruitment for labour in Ceylon. I regret that my Honourable friend, the representative of the Department of Education, Health and Lands, is not here to advise the Honourable Member on that point. My own impression is that emigration to Ceylon is under very close control and I cannot believe that abuses in regard to it are at all extensive. At the moment, the problem has solved itself to a very large extent by the fact that emigrants to Ceylon have diminished so seriously in number. I can speak with more certainty about the *arkati* system in Bengal. I think that that has entirely disappeared as all recruitment of labour for the tea plantations in Assam is now strictly regulated under the provisions of the Act which this House passed last year. My Honourable friend, the Raja Bahadur, could not have been in the House when that Act was under discussion. He would have realised, I think, that it is a very far reaching Act and that there is little danger of abuse. If any extensive abuses in regard to the recruitment of labour to Assam occur, the Act confers on Government the most drastic powers to deal with them.

**Mr. President (The Honourable Sir Shanmukham Chetty):** The question is:

"That this Assembly, having considered the Draft Convention and the Recommendation concerning fee-charging employment agencies adopted at the Seventeenth Session of the International Labour Conference, recommends to the Governor General in Council that he should not ratify the Draft Convention nor accept the Recommendation."

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Friday, the 24th November, 1933.





# LEGISLATIVE ASSEMBLY.

Friday, 24th November, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

## STATEMENTS LAID ON THE TABLE

**The Honourable Sir Joseph Bhore** (Member for Commerce and Railways): Sir, I lay on the table the information promised in reply to starred question No. 374 asked by Mr. Gaya Prasad Singh on the 1st September, 1933, and starred question No. 680 asked by Mr. Nabakumar Sing Dudhoria on the 6th September, 1933.

## RETRENCHMENT IN THE CALCUTTA PORT TRUST.

\*374. All men who have completed 30 years' service and have attained the age of 50 have been compulsorily retired. An option has also been given to all employees who enjoy the benefits of the Fundamental Rules to retire voluntarily. It has also been necessary to abolish a number of other posts and to dispense with the services of the men occupying them, but all men whose services have been dispensed with owing to retrenchment have been given the maximum amount of leave due to them and the Pension or Provident Fund benefits to which they were entitled.

It is not possible to show the saving due to retrenchment among the European and Indian staff separately, but the figures below show that the total expenditure on account of salaries (including menials' salaries) has been considerably reduced during the past two years :

	Rs.
March, 1931 . . . . .	9,25,415
March, 1932 . . . . .	8,18,390
March, 1933 . . . . .	7,65,537

The total number of men, other than menials, who have been retrenched is given in the statement below. In this statement, the term "Officers" includes all employees on scales of pay rising to Rs. 500 and over, and "Others" includes all other employees excluding menials.

Europeans.	Anglo-Indians.	Hindus.	Muslims.	Total.
Officers.	Others.	Officers.	Others.	Officers.
32	5	27	41	13 579 0 59 72 684

## REDUCTION IN THE INCOME OF THE COMMISSIONERS FOR THE PORT OF CALCUTTA.

\*680. (a) Yes. The reduction has been entirely due to the decrease in the volume of trade.

(b) Yes; but the work of the Port Commissioners has not decreased in proportion to the reduction in their income.

(c) Government propose to take no action in the matter as the Commissioners have already effected extensive retrenchment.

(d) Does not arise.

(e) 1929-30 Rs. 3,43,98,110.

1930-31 Rs. 2,83,73,490.

1931-32 Rs. 2,67,01,863.

**Mr. A. G. Glow** (Government of India: Nominated Official): Sir, I lay on the table the information promised in reply to starred question No. 297 asked by Mr. A. Das on the 31st August, 1933, and in reply to parts (a), (d) and (e) of starred question No. 868 asked by Bhai Parma Nand on the 12th September, 1933.

## SAVING EFFECTED BY RETRENCHMENT OF

#297. Statement showing in detail by Posts and Telegraphs Circles the distribution of the

Class of establishment.	Bengal and Assam Circle.		Bihar and Orissa Circle.		Bombay Circle.		Burma Circle.		Central Circle.	
	No. of personnel retrenched.	Amount of saving effected.	No. of personnel retrenched.	Amount of saving effected.	No. of personnel retrenched.	Amount of saving effected.	No. of personnel retrenched.	Amount of saving effected.	No. of personnel retrenched.	Amount of saving effected.
		Rs.								
I. Gazetted officers .	13	8,000	4	3,000	11	7,000	5	3,000	5	4,000
II. Clerical staff (including postmasters and sorters)--										
(1) Selection grades .	38	9,500	13	3,200	6	1,500	3	700	...	...
(2) Upper division time-scales.	555	66,600	310	37,200	541	64,900	439	52,700	294	35,300
(3) Lower division .	5	430	...	...	5	430	...	...	...	...
(4) Extra-departmental postmasters.	...	...	9	90	2	20	29	320	87	880
Deduct--										
(5) Lower division clerks appointed in lieu of upper division clerks.	52	2,600	33	1,600	374	18,600	354	17,700	117	5,800
(6) Extra-departmental postmasters appointed in lieu of whole-time postmasters.	204	2,720	239	2,430	73	750	70	760	122	1,240
Net clerical staff .	282	71,210	60	38,460	107	47,500	47	35,260	142	29,140
III. Lower subordinate Engineering staff.	...	...	...	...	...	...	3	900	1	300
IV. Telegraph Masters and Telegraphists.	66	18,000	3	600	70	19,300	80	22,000	19	5,200
V. Postmen class .	588	17,650	138	4,150	301	9,000	182	5,500	293	8,800
VI. Linestaff .	...	...	13	500	66	2,600	48	1,700	48	1,900
VII. Inferior servants .	-22	-400	83	1,700	27	560	3	60	180	3,800
Grand Total .	927	1,14,460	301	46,410	582	86,960	363	68,420	697	53,140

Note.—The Deduct entries and minus

N. B.—The figures

## STAFF IN EACH POSTAL CIRCLE.

approximate results of retrenchment of personnel in the Posts and Telegraphs Department.

Madras Circle		Punjab and W. F. Circle.		United Provinces Circle.		Sind and Balu- chistan Circle.		Wireless Branch, Stores, Work- shops and Elec- trical Engineer- in-chief's office.		Total.	
No. of per- son- nel re- tren- ched	Amount of sav- ing effec- ted	No. of per- son- nel re- tren- ched	Amount of sav- ing effec- ted	No. of per- son- nel re- tren- ched	Amount of sav- ing effec- ted						
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.
1	500	8	5,000	5	3,500	...	...	2	1,000	54	35,000
81	7,700	15	8,700	25	6,200	6	1,500	...	...	137	84,000
224	26,900	463	55,600	381	43,300	62	7,500	40	5,000	3,289	3,95,000
...	...	1	70	1	70	...	...	...	...	12	1,000
22	220	43	450	180	1,880	14	140	...	...	886	4,000
140	7,300	60	3,000	24	1,200	4	200	...	...	1,167	58,000
94	960	215	2,250	171	1,810	5	80	...	...	1,253	13,000
84	26,560	247	54,570	372	48,440	73	8,860	40	5,000	1,404	3,63,000
1	300	...	...	...	...	...	...	21	6,500	26	8,000
34	9,400	69	19,000	41	11,300	19	5,200	...	...	401	1,10,000
161	4,820	502	16,900	503	15,000	136	4,000	4	180	2,868	86,000
23	900	118	4,600	...	...	20	800	...	...	331	13,000
-24	-400	194	3,900	87	1,770	26	550	23	460	586	12,000
290	42,080	1,198	1,03,970	1,008	80,010	274	19,410	90	13,140	5,670	6,27,000

figures indicate increase in strength or expenditure.  
show monthly savings.

## RETRENCHMENT OF HINDUS IN CERTAIN RAILWAY MAIL SERVICE DIVISIONS.

\*868. (a) No; one of the 4 men is a Muslim and 3 are Hindus.

(d) The reply to the first part is substantially in the affirmative and to the second part in the negative as retrenchment of officials is to be effected by selection subject to the maintenance as far as practicable of the communal ratio existing before retrenchments began.

(e) Does not arise in view of the reply to the second part of (d) above.

**The Honourable Sir George Schuster** (Finance Member): Sir, I lay on the table the information promised in reply to starred questions Nos. 928 and 932 asked by Mr. D. K. Lahiri Chaudhury on the 13th September, 1933.

## ABUSE OF DISCRETIONARY POWERS VESTED IN THE INCOME-TAX OFFICERS AT CALCUTTA.

\*928. (a) Government are not aware of any case of abuse of discretionary powers vested in Income-tax Officers in Calcutta. All cases where complaints are made are carefully examined by the Commissioner of Income-tax.

(b) No case has been brought to notice where Calcutta Income-tax Officers have not given reasonable opportunity for compliance with the usual requirements. If any such case should occur, the assessee has adequate remedies by way of application under section 27 and subsequent appeal to the Assistant Commissioner, and he can further apply in review to the Commissioner if he is still dissatisfied.

Government are not aware of any effort to make unduly heavy assessments under section 23 (4). Every effort is made to restrict the use of the section to cases where such use is unavoidable. Even then the Commissioner can always be approached to satisfy himself that the assessment is genuinely to the best of the Income-tax Officer's judgment.

## ASSESSMENT OF INCOME-TAX IN CALCUTTA.

\*932. Government are not aware of any case in which assessments have been based upon reports of any secret informers, when making assessments to the best of judgment. The question could not arise with regard to Section 13, which deals with method of accounting.

**Mr. G. S. Bajpai** (Secretary, Department of Education, Health and Lands): Sir, I lay on the table the information promised in reply to unstarred question No. 148 asked by Mr. Bhuput Sing on the 20th September, 1933.

## TENDERS FOR SUPPLY OF FURNITURE TO THE ZOOLOGICAL SURVEY OF INDIA.

148. (a) and (b). The Director, Zoological Survey of India has not purchased any office furniture during the last two years. The only articles purchased during this period were two book cases for the library and three insect cabinets. They were obtained from a Chinese firm which specialises in the manufacture of scientific fittings of this type and has been supplying them to the Zoological Survey of India and to other sections of the Indian Museum for the last 30 years. No tenders were called for the supply of these articles as this method had been tried before and found unsatisfactory by the previous Director, Zoological Survey of India.

**Mr. P. R. Rau** (Financial Commissioner, Railways); Sir, I lay on the table—

- (i) the information promised in reply to starred question No. 1068 asked by Sardar Sant Singh on the 1st April, 1933;
- (ii) the information promised in reply to starred question No. 1069 asked by Sardar Sant Singh on the 1st April, 1933;
- (iii) the information promised in reply to starred question No. 1078 asked by Mr. Muhammad Anwar-ul-Azim on the 1st April, 1933; and
- (iv) the information promised in reply to starred question No. 575 asked by Mr. Muhammad Azhar Ali on the 4th September, 1933.

#### PAINTS USED BY THE EASTERN BENGAL RAILWAY FOR PAINTING THEIR WAGONS.

\*1068. (a) and (b). Yes.

(c) Experiments have been carried out on the Eastern Bengal Railway with 'Mura'ka' and 'Muraco' special black paints the first named between 1927 and 1930 and the latter in 1932. On the former occasion the results were not satisfactory but in the latter instance the paint tried gave promise of being more economical than those in use, and sufficiently satisfactory to justify a trial under service conditions.

(d) and (f). Certain orders for ready-mixed 3 per cent carbon black paint were placed without calling for public tenders as the make and quality of paint ordered had been found to give satisfactory results during the previous three years. At the time of purchase ready mixed paint of the quality used by the Eastern Bengal Railway was not included in the Indian Stores Department contracts.

(e) Yes, on a Broad Gauge wagon on a workshop test only.

(f) Yes. A panel painted with 'Muraco special black' was found to be satisfactory on exposure test.

(g) and (h). Provided that Muraco special black paint proves satisfactory under service conditions and that the present prices are maintained, it is estimated that the savings in painting a broad gauge wagon both inside and outside will be in the region of rupees four only. Pending the conclusion of trials under service conditions it is impossible to estimate with any degree of accuracy what, if any, the total savings will amount to.

#### "MURACO BLACK" PAINT USED ON THE EAST INDIAN RAILWAY.

\*1069. (a), (b) and (c). Yes.

(d) Yes. A practical physical test of the nature indicated was made and the relative covering capacities were found to be as stated but relate to the 1st coat only.

(e) 25 gallons of ready mixed Muraco Black covered 14 covered and 7 open sided wagons, outside body and roof only equal to 11,063 sq. ft.

25 gallons of I. S. D. Standard Quality black paint covered 10 covered wagons equal to 6,579 sq. ft.

25 gallons of Jenson and Nicholson's paint covered 11 covered wagons equal to 7,019 sq. ft.

The I. S. D. Standard Quality and Jenson and Nicholson's paints which were tested were moist black paints.

Messrs. Shalimar's paint was not tested.

A subsequent test of ready mixed paint on composite wagons has just been carried out and the results are as follows :

50 gallons of Murarka paint covered.

13 covered and 2 open sided wagons equal to 20,427 sq. ft.

50 gallons of Messrs. Jenson and Nicholson's paint covered 12 covered wagons equal to 18,060 sq. ft.

50 gallons of Shalimar paint covered 11 covered wagons equal to 16,604 sq. ft.

(f) and (g). Yes.

(h) Exposure tests have not been carried out of 3 per cent. and 20 per cent. I. S. D. 'black'. The position was that when it was decided to raise the period between workshop overhauls from two to three years, the 3 per cent. I. S. D. carbon black then in use was considered unsuitable as it would not last more than two years. It was, therefore, decided to use the 20 per cent. I. S. D. black in order to obtain better lasting qualities.

(i) I would refer the Honourable Member to my reply to part (h) of his question No. 1230.

#### USE OF "MURACO BLACK" PAINT ON STATE RAILWAYS.

\*1078. (a), (b) and (c). Yes.

(d) Where conditions and circumstances permit the results of tests and the experience obtained on a State-Railway is given due weight by the other State-Railways.

(e) It is presumed that the Honourable Member refers to paint purchased ready mixed and consumed by State-managed railways. The information is as follows :

	1930-31	1931-32.	1932-33.
North Western Railway . . .	Nil	Nil	Nil
G. I. P. Railway . . .	Nil	Nil	236
East Indian Railway . . .	Nil	Nil	18,000
Eastern Bengal Railway . . .	32,000	26,000	30,000

(f) Since 1st April, 1933, the Eastern Bengal Railway have placed orders for approximately 7,000 gallons of Muraco special black paint.

(g) Yes.

(h) and (i). About 3,000 gallons of Muraco ordinary black paint were purchased.

(j) and (k). The Honourable Member has not stated the period for which the information is required but I presume he refers to the contracts for the year 1931-32. During that year contracts had been entered into with the Napier Paint Works for the supply of a black stiff paint. The stocks were reduced in March 1932 and 500 gallons of ready mixed paint were obtained from the Muraco Paint and Varnish Co. to meet immediate requirements.

(l) The answer to the first part of the question is in the affirmative. With regard to the second part I would refer the Honourable Member to my reply to part (d) of this question.

#### REFUSAL BY THE ROHILKUND AND KUMAON RAILWAY TO SUPPLY ELECTRIC POWER TO INDIAN EMPLOYEES.

\*575. (a) The Agent, Rohilkund and Kumaon Railway reports that no request for the supply of electric current from employees has been refused by the Rohilkund and Kumaon Railway on the ground of their being Indians.

(b) No Indians, except Indian Officers who may reside at Izatnagar Colony, are being supplied with electric current because there has been no demand for such supply from Indian employees so far. The Rohilkund and Kumaon Railway Administration would willingly supply electric current, within the capacity of the generating plant surplus for use in quarters, to any staff on the usual conditions of payment for current consumed and rent on cost of installation and fittings.

## THE INDIAN TARIFF (SECOND AMENDMENT) BILL.

The Honourable Sir George Schuster (Finance Member): Sir, I beg to move:

"That the Bill further to amend the Indian Tariff Act, 1894, the Indian Finance Act, 1891, and the Sea Customs Act, 1878, for certain purposes, be taken into consideration."

I have already explained in introducing this Bill that the matter is one of very considerable urgency, because, owing to the state of affairs which we seek to alter by this measure, the Government are losing very substantial amounts of revenue. The subject of the legislation is a class of oil variously described as "gas oil" or "light diesel oil" which is capable of use as a reasonably efficient illuminant in wick lamps. Within the last year or two, there have been very considerable imports of oil of this class and it has been ascertained that it is in fact being largely used in lamps. It is at least as suitable for that purpose as the inferior or red kerosene which is made in the Burma refineries and which in recent years has constituted about one-third of the kerosene production of Burma. Now, I understand from supplementary questions which were asked yesterday, that quite a number of Honourable Members of this House are interested in the details of this measure and, I am afraid, I shall have to go into some detail in describing the position, as I want everybody to be absolutely clear as to what that position is.

At present, of course, kerosene is subject both to customs and to excise duties. As regards customs, the relevant section of the import tariff is No. 40 which governs kerosene. The description of the article in the customs tariff is "kerosene and also any mineral oil, other than kerosene and motor-spirit, which has its flashing point below 100 degrees of Fahrenheit thermometer by Abel's close test". That kind of kerosene is assessed according to the Imperial gallon and is subject to a specific rate of duty, namely, a basic duty of two annas three pies a gallon, supplemented by a first surcharge of nine pies per gallon and a second surcharge again, of nine pies per gallon, bringing it up to three annas nine pies a gallon. The only part of that description which is effective at present is the description "kerosene", because the other part of the description, that is to say, "mineral oil other than kerosene and motor-spirit which has its flashing point below 100 degrees Fahrenheit" has, in fact, become meaningless. There is in fact, no oil of that kind, produced at present which could be used for the purpose of burning as an illuminant. When that description was drafted, the conditions with regard to oil production were very different and there was at that time no oil of the kind which we are now seeking to get at which flashes at a higher point than 100 degrees Fahrenheit and which can be burnt in lamps, so that, really, when those words were adopted, the intention probably was to get at oil of this kind, but in fact no oil of that kind was in existence and this particular description has become out of date. Then, apart from kerosene which comes under item No. 40, there is item 41—"mineral oil which has its flashing point at or above 150 degrees Fahrenheit thermometer and is such as is not ordinarily used except as fuel or for some sanitary or hygienic purpose". That is subjected to a  $7\frac{1}{2}$  per cent. ad valorem duty as the basic duty, to a first surcharge of  $2\frac{1}{2}$  per cent. and to a second surcharge of  $2\frac{1}{2}$  per cent. That, therefore, pays a  $12\frac{1}{2}$  per cent. ad valorem duty. Then, there is a third class of oil—item No. 75, "all sorts of

[Sir George Schuster.]

animal and mineral-oils not otherwise specified and the following natural essential oils, namely, almond, bergamot, "gajupati, camphor", etc., etc. That is subject to a basic duty of 15 per cent. *ad valorem* and to a first surcharge of five per cent. and a second surcharge of five per cent. That, therefore, is paying an *ad valorem* duty of 25 per cent. Those customs duties are leviable under the Indian Tariff Act, 1894, and the Sea-Customs Act, 1878, as supplemented by the Indian Finance Acts of 1931.

Then we come to the excise duty. It is leviable under the Finance Act of 1922 and it is on quite a different basis. The provisions there are that the duty on kerosene is two annas and three pies a gallon including the first surcharge—as it was originally one anna and six pies put up by the first surcharge of two annas and three pies—and is subject now to the further surcharge of 25 per cent. which comes to  $6\frac{1}{4}$  pies; so the total excise duty is now two annas and  $9\frac{1}{4}$  pies. In the Finance Act of 1922, there is the *Explanation*:

"For the purposes of this section, kerosene means any inflammable hydro-carbon including any mixture of hydro-carbon or any liquid not including hydro-carbon but including motor spirit which is (a) made from petroleum as defined in section 2 of the Indian Petroleum Act of 1899 and (b) is intended to be or is ordinarily used in liquid form for purposes of illumination."

I want to emphasise that point and make it quite clear that the excise duty at present is leviable on quite a different basis to the customs duty. In fact, the terms under which the excise duty is levied are such that we do catch the quality of oil which by this amending Bill we want to catch also for the purpose of customs import duty. I repeat again that the excise duty catches all oils of this kind which are intended to be or are ordinarily used in liquid form for purposes of illumination. If we had the same description for purposes of levying customs import duty as we have for purposes of excise duty, we should not want this Bill at all, and Honourable Members will notice that there is no amendment proposed as regards the Statute under which the excise duty is levied. It may perhaps be asked why the two duties are on a different basis? I am afraid I cannot give any satisfactory answer to that question. I think we must admit that it was a bit of bad legislation of the time. When the Finance Act of 1922 was passed, it would have been much better to put the import duty on to the same basis as the excise duty. I think probably the practical explanation is that at the time when Government were considering the excise duty in 1922, those who drafted the legislation had particularly in mind the quality of kerosene which was largely supplied by the Burma oil fields. That then is the actual position. There is on the one hand this class of oil coming in now which is, in fact, being used as a substitute for ordinary kerosene, and which, according to the wording of our customs duty laws, we cannot catch, whereas on the other hand the same quality of oil which is being produced in India is actually caught and made to pay the higher rate of excise duty. Now, when it was established that this kind of oil—the light diesel oil—was coming in and that the use of it in lamps had become common, it ceased to be possible to describe such oils as being such as are not ordinarily used except as fuel. Thus, though they are suitable for use as fuel, they cease to come under the favourable rate described by item No. 41, that is to say, the  $12\frac{1}{4}$  per cent. *ad valorem* rate, and, as neither 40 nor 41 apply, they fall for assessment under No. 75, that is to say, the 25 per cent. *ad valorem* duty. This, therefore, put them

up to a 25 per cent. basis and meant that they were paying a duty which worked out at somewhere about nine pies a gallon and that is the change which was made fairly recently by the customs authorities in assessment, and which was referred to in a question which was put to me yesterday and in certain supplementary questions. I want to make the reason for that change clear. The reason, I will repeat, was that it was established by the customs authorities that this class of oil was being used for purposes other than fuel oil and, therefore, they were quite right in refusing to continue to let it come in under item 41 and in assessing it under item 75. That put the duty up, as I said, to about nine pies a gallon, but that, of course, is a very long way short of the three annas and nine pies a gallon which imported kerosene ought to pay. Now, the fact that this oil is coming in and is being used as a substitute for kerosene involves a very substantial inroad on the excise revenue. You may put it in either of two ways. You may say that we are losing excise revenue on the hypothesis that this new oil is being substituted for Burma kerosene, or that we are losing import duty because this class of oil is replacing what would otherwise come in as imported kerosene. I would like just to tell the Honourable Members what the Burma Government had to say on the subject.

**Diwan Bahadur A. Ramaswami Mudaliar** (Madras City: Non-Muhammadan Urban): Can the Honourable Member give some figures as to this displacement?

**The Honourable Sir George Schuster:** I am coming to that. We had a very urgent representation from the Burma Government on this matter which came to us in the course of the Simla Session. They say that they have ascertained that the local companies are suffering from a serious disability owing to the importation of gas oils from Rumania and Russia described as diesel oil. They then go on giving the figures of the differences in duty between that and the excise duty payable on the kerosene. They say:

"The local companies estimate that the cut in Burma production will shortly amount to one-third."

Then:

"The Governor in Council strongly recommends immediate action to remove disabilities. He would view with the gravest concern the diminution of Burma production to the extent feared by the companies with the resultant unemployment in oil fields and disastrous effects on revenue from royalties. He would support the Companies' claim that the customs duty imposed should not be less than the customs duty on imported kerosene. If reports correct, matter is of extreme urgency and the Governor in Council would seriously deprecate waiting till Budget Session and would urge strongly introduction of necessary legislation during the current Session."

That referred, of course, to the current Session at Simla and it was quite impossible to introduce legislation then. We wanted more time to study the facts and, although we had completed our study by the end of the Simla Session, it was too late then to bring in legislation and we have had to take advantage of the present Session for the purpose.

Now, as regards the quantities that are coming in, according to my estimates and they have been very carefully gone into, it appears that this light diesel oil or gas oil is now coming in at the rate of about one million gallons a month on the average. In addition to this, the imports in the current year of oil which is passed as fuel oil is on an average  $7\frac{1}{2}$  millions of gallons and these  $7\frac{1}{2}$  millions of gallons represent a fairly normal

[Sir George Schuster:] quantity according to recent experience of what comes in for fuel oil. The imports of fuel oil in 1931, before the trade in this lamp oil quality of so-called fuel oil began, only averaged about  $7\frac{1}{2}$  million gallons a month. At that time there was practically no import of this lamp oil quality of so-called fuel oil, so that one can regard that a million gallons which is coming in in addition to  $7\frac{1}{2}$  millions of gallons as a new increase. While we are seeing this increase in imports of genuine fuel oil plus gas oil combined of one million gallons a month, we are at the same time experiencing a very heavy drop in the consumption of kerosene. That shows a drop this year in consumption of something like three millions of gallons a month. Of course, it can fairly be argued that this is very largely due to the loss of purchasing power and general depression, but if one combines the two facts, on the one side the increase in the so-called fuel oil of a million gallons a month, and on the other, the decrease of three million gallons a month in genuine kerosene, I think it is quite clear that there has been a very substantial substitution of the one over the other. As regards the loss of revenue, if we take, say only three-quarters of this additional million gallons a month which is coming in as being used to displace kerosene, and I think that that is a low estimate, and if we take it that we are only losing excise duty, then our loss is now about one lakh a month. On the other hand, if we take it that it is the import duty that we are losing, that imports are being displaced by this new kind of lamp oil, then we are losing now at the rate of about  $1\frac{1}{2}$  lakhs a month. Just in order to indicate to Honourable Members the urgency of this matter, I might inform them that according to our latest information a vessel has just arrived carrying a cargo of 3,800 tons of this oil and, on that single cargo of 3,800 tons, the loss involved amounts to one lakh of duties to ourselves. I hope, therefore, that Honourable Members will appreciate that this is really a very serious matter. Now, the question arises as to how to deal with it. What we want to do now as a practical measure is to make the possibility of using this oil as a luminant the test. If it can be used for burning in lamps, then we say it ought to pay duty as kerosene. The practical test, therefore, is the burning capacity of the oil when used in lamps. Exhaustive research has shown that no other test, for example, physical constants, such as flash point, density, etc., can yield equivalent results so that it has been found necessary to provide a burning test and, as regards that, we have satisfied ourselves that that is an entirely adequate test. We found that there was already in existence a test lamp designed exactly for that purpose. We did not invent it ourselves, we found that it was already in existence and we have made very careful experiments with this test lamp and we are satisfied that this provides a reliable and constant test. That lamp has now been distributed to customs authorities. The test applied will be the capacity of the oil to burn in any such lamp for a given time without the flame sinking below a given height. The particulars that will be prescribed roughly correspond to those that are found to be yielded by the actual tests applied to inferior Burma kerosene.

Now, there is another side to this matter. It may, of course, be represented that by imposing this higher duty on a class of oil which at any rate partially is used for burning in engines, we may subject the people who want the oil genuinely for that purpose to an unduly heavy burden. We have given very careful consideration to that question, the question, namely, whether industrial or agricultural users of diesel engines will be adversely affected and we have satisfied ourselves that there is no serious danger to that. It is important to realise that no fuel oil possessing the

minimum illuminating properties that we now propose to prescribe as the test, no fuel oil of that kind was imported at all until 1930; and, in 1930, the amount imported was only 847 tons. That is when the practice first began, and everyone had been able to get on perfectly well for their purposes of providing fuel for their engines with the other oils before that. In 1930, the practice began, as I say, in a small quantity of 847 tons being imported. In 1932, the imports had gone up to 28,000 tons and we are quite satisfied that a very large proportion of that 28,000 tons was actually sold as illuminants. A certain proportion was, no doubt, sold as fuel oil for fuel purposes, but we believe that for such purposes it was not appreciably better than other diesel oils not possessing this minimum illuminating capacity.

**Diwan Bahadur A. Ramaswami Mudaliar:** What about price?

**The Honourable Sir George Schuster:** I am coming to that too. The importers who, I think, must have discovered this favourable opportunity of selling this oil as a substitute for kerosene for burning in lamps naturally found it necessary to make considerable sales of this oil for fuel use in order to justify their customs declaration of oil as fuel oil and they could do this—and this is a point that answers my Honourable friend's question—they could do this at a low rate on account of the very large profits to be made on the portions sold for illuminating purposes. I think it is probably correct to say that they have been able to dispose of a certain quantity of this oil at a lower rate, because, as I say, they have been making such very large profits on that portion of their imports which they are selling for illuminating purposes, but surely that is not a practice which can be tolerated in the public interests. I would ask Honourable Members to appreciate that all that will happen now is to put things back again into the position that we were up till 1930 when the principal diesel oils sold in India were light diesel oils coming from Persia and the Attock Oil Company's diesel oil. I would like to add that the principal use of diesel engines by agriculturists is in the Punjab which has the Attock Oil Company's supply close at hand and the Attock Oil Company's oil is not being used in lamps and will remain at the present rate of duty and will not be subject to any additional duty. But, of course, if they did follow the same practice as regards their oil as is followed in the case of imported oils and tried to sell it and make it suitable for burning in lamps, then, of course, they would have to pay the kerosene duty. Now, although I have said that we have satisfied ourselves that the genuine user of oil for burning in engines will not be prejudiced by this measure, I am quite prepared to say that this is an aspect of the question which will have to be most carefully watched, and if we find that in effect it is prejudicing the position of those who want this kind of oil for running engines and not for burning in lamps, then we quite recognise that we shall have to devise special measures for dealing with their position and for exempting the oil which is used in engines from this additional duty. We do not believe that there will be any great administrative difficulties in achieving that result, and action can be taken quite quickly if it is found to be necessary. I want to leave Honourable Members in no doubt that if anybody in connection with this Bill fears that it may have adverse effects on genuine industrial or agricultural users of fuel oil, we share those fears equally with them. We take exactly the same point of view and we shall feel ourselves under an obligation to devise measures for meeting that particular kind of objection.

[Sir George Schuster.]

Now, Sir, I hope this has explained the position pretty well to Honourable Members. I might add something in connection with the arguments which seem to have been advanced on the other side. I myself have been addressed, and I have no doubt that Honourable Members also have been addressed in this matter, by the National Petroleum Company. This company imports the oil in question. It addressed me, and I think it circularised all Members of the Legislature, in September in protest against the assessment of the oil at the 25 per cent. rate. Obviously if it protested against the 25 per cent. rate, the protests against what is contemplated in the present Bill will be considerably more intense. The case of the company is stated in a letter to the Bombay Chamber of Commerce that was enclosed with a circular on the 14th September to me. I do not want to go into it in very great detail, but if any arguments come up based on that letter, I shall be very glad to have an opportunity of answering them. I think I may say without being at all unfair that the letter is entirely misleading. It avoids any reference to the widespread use of these oils as illuminants and seems to imply that their only use is in diesel engines. They make a particular statement that a similar type of oil has been imported into India for many years. That statement is evidently incorrect. The imports of fuel oil other than those types definitely not suitable for use in lamps which are controlled by the Burnah Shell group were non-existent before 1930 and only 847 tons in 1930 . . . .

**Diwan Bahadur A. Ramaswami Mudaliar:** Did the Standard Oil Company import any oil similar to it at any time?

**The Honourable Sir George Schuster:** The Standard Oil Company may have imported a small quantity of this oil before we changed the method of assessment recently. I am not quite sure about the quantities, but I am quite sure of this that until 1930 no oil of this kind was imported and I repeat again that in 1930 when it first began, only 847 tons were imported. It is quite possible that a certain oil imported by the Standard Oil Company may have got through at the 12½ per cent. test before we had established the change in the customs in dealing with this oil and had established the fact that it was being mainly used as an illuminant, that is to say, not for fuel purposes. As soon as we established that, our customs authorities could no longer go on assessing it under item 41. They had to put it under item 75. That was established by them; we had nothing to do with it. It was the customs administration working in its ordinary way, and that new custom having been established, the oil could no longer claim to come in at the lowest rate of duty.

**Mr. B. V. Jadhav** (Bombay Central Division: Non-Muhammadan Rural): Was this *ad valorem* duty of 25 per cent. under Article 75 levied also on all oils of that description, that is, 7½ million gallons used for fuel purposes and also one million gallons used as illuminant?

**The Honourable Sir George Schuster:** The position is quite clear. At present about 7½ million gallons a month are coming in of genuine fuel oil which we know cannot be used for any other purposes except fuel oil. It is only the quantity of one million gallons of this light diesel oil or gas oil which is coming in and which, we have satisfied ourselves, is being largely used as illuminant. Of course the customs authorities have to

distinguish between these two classes of oil and I may describe that as rather an unsatisfactory position. They have to make what is called an appraiser's test of it according to the purposes for which it is sold. What we are now going to do is to establish a definite and constant physical test, namely, the burning capacity in one of these test lamps. That will provide a much more satisfactory dividing line than the present rough and ready appraiser's test which has to be made. But as regards what is in my Honourable friend's mind, there is no question of subjecting all fuel oils to this higher rate of duty. The only oils which have been subjected to the higher rate of duty are oils which can be used as illuminants.

**Mr. D. K. Lahiri Chaudhury** (Bengal: Landholders): Will this treatment be universal or only for the particular company which imports this oil?

**The Honourable Sir George Schuster:** I am afraid I cannot understand what suggestion lies behind that.

**Mr. D. K. Lahiri Chaudhury:** If other oil companies have some such oil which may be used as illuminant, will they receive the same treatment as diesel oils?

**The Honourable Sir George Schuster:** Of course. Indeed I find it impossible to state with sufficient emphasis that that would be our purpose. We want to get the maximum revenue from everybody without fear or favour and there is no possibility of discrimination between companies when the test that we are proposing to apply is the test of burning in a certain lamp which will be a scientific test and cannot be varied by anybody for any ulterior motive. That, I think, is all that I need say in asking the House to take this measure into consideration. I would only like to repeat again that from the revenue point of view it is really a very serious matter. If we are now losing something like Rs. one lakh to Rs. 1½ lakhs a month, that loss might grow to very large figures indeed. In fact, if the practice became universal, our loss would amount to something like a crore a year. Therefore, this is a case in which we must take some action, and I would ask the House to look at it from that point of view.

**Mr. President** (The Honourable Sir Shanmukham Chetty) : Motion moved :

"That the Bill further to amend the Indian Tariff Act, 1894, the Indian Finance Act, 1931, and the Sea Customs Act, 1878, for certain purposes, be taken into consideration."

**Mr. K. P. Thampan** (West Coast and Nilgiris: Non-Muhammadan Rural): Sir, I beg to move:

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 20th January, 1934."

I wish to say at the very outset that I have no idea of moving this amendment as a dilatory motion; but I want that full particulars should be placed before the House and that the people who are interested and dealing in this business should have their say. I have heard with great

[Mr. K. P. Thampan.]

interest the speech which the Honourable the Finance Member has just now made. I find that the chief point that he has made is that this oil, though it is imported in the guise of diesel oil is used for illuminating purposes and hence has to be taxed as kerosene. As the owner and user of an oil engine, I know what this kind of diesel oil is. I shall deal with it afterwards. It is the poorest people in the country that make use of this oil for their lamps. It is not fit for use in a table lamp or for that matter in an ordinary hurricane lamp. It is fit only for the small lamp made of tin that the poor people purchase for three or four pies, on which they do not use any kind of chimneys, but simply put a taper or a piece of cloth which they immerse in the oil and burn: it is capable of being used only for such purposes. As I said, the users of such lamps belong to the poorest class among us, and this House will be doing a sheer injustice to those people, who are already groaning under heavy taxation, if we accept this proposal . . . .

**Mr. R. S. Sarma** (Nominated Non-Official): Mr. President, may I ask one information from Government before this debate proceeds further? As there seems to be a good deal of support for a Select Committee in the House, will Government give indication to the House whether they are prepared to accept the later motion for Select Committee? If that is done, the discussion on this circulation motion will be cut short.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Let the Honourable Member finish his speech.

**Mr. K. P. Thampan:** If my Honourable friend had risen to suggest that before I began to speak, I would have had no grievance against him. However, I am thankful to you, Sir, for your kind protection. Now, with regard to the engines consuming diesel oil, the oil which is generally supplied by the Burma Oil Company and others is distinctly of an inferior sort, whereas this is a better grade of oil, and the result is, with the use of this oil the engines have greater longevity than with the oil now supplied to the market. So, even if the price is slightly more, I would certainly prefer this oil for my engine to the oil which comes from Burma. As an agriculturist and as one who wants to safeguard the interests of the agriculturists, I should like to point out that in South India alone there are more than 20,000 oil engines engaged in irrigation work to baling out water to the fields and removing it from the back-water areas and other places on the West Coast. In these days when agriculture is not paying, it will be a very hard thing if we attempt to increase the burden on the ryots. There are quite a large number of engines employed in industries also. I, therefore, recommend that with reference to the oil used for engines also it is not desirable to accept the principle of this Bill. The Honourable Member was very kind to say in the course of his speech that if subsequently he found that this Bill affected the interests of the agriculturists, he would then devise means to exempt the oil that was used by them. I have no sympathy with that suggestion, because, by the time he realises the real position, the trade in this oil would have been strangled: the merchants who import this oil would have lost immensely and there will be nobody else to reintroduce this oil into the market; and, therefore, the promise that he would after some time exempt the oil used by the agriculturists cannot appeal to me.

Then, there is another aspect of the question which is more serious than anything. On the assumption that the duty will not be increased, or at any rate that the present rate will not be interfered with during the current financial year, merchants might have given forward orders. Now, to make them pay this higher rate of duty is really wrong in principle. Evidently there are merchants who have ordered large quantities; as the Honourable Member himself has said that his information is that three lakhs tons of oil is on the way to be imported to Bombay. Such people will be hard hit by the proposal to increase the duty and it is only fair that such forward orders are exempted. On these grounds I am of opinion that the Bill ought to be circulated for opinion and the next stage of the Bill should be proceeded with only at the next Session: it is with that object in view that I have suggested that the Bill may be circulated by the 20th January, 1934. With these words, I move my amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 20th January, 1934."

**Mr. R. S. Sarma**: Now, may I ask the Finance Member, Sir, with your permission, whether he is agreeable to the Select Committee, because his answer to that will determine the attitude of some of us on this circulation motion.

**An Honourable Member**: Nobody has moved the Select Committee motion yet

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member is entitled to ask the question, because if the Finance Member gives an indication that he will accept the Select Committee motion if and when it is moved, the Honourable Member will probably oppose this motion and support the other: otherwise he will probably support this motion.

**The Honourable Sir George Schuster**: Sir, this comes upon me a little bit suddenly and I have not had really time to consider it. I can tell the House quite clearly what my position is: we do feel that it is a most urgent matter to get this measure passed during the current Session. If that can be done, then, anything that I can do which will give Honourable Members an opportunity of satisfying themselves as to the merits of this measure I shall be only too glad to do, because we are quite confident in our own minds that anybody who studies this position will agree with us that some legislation of this kind is necessary. What will be possible as regards actual time during this Session is a matter on which I can hardly speak offhand: I should have to discuss it with you, Sir, and consider how this can be fitted in, because we have to take into account that this measure will have to be passed not only in this House, but in the Council of State also. If my friend will give me a little time to consider the matter and discuss what is possible in the way of time table, I can tell him straightaway that, if I find it can be arranged to get on with this legislation this Session, even though the Bill is referred to a Select Committee, I should have no objection at all to accept a motion for reference to Select Committee. But, possibly, Sir, it might

[Sir George Schuster.]

be more useful, and I should imagine, would meet the wishes of a good many Members of the House if the present debate continued a little further, because I myself am certainly most anxious to hear what sort of case Honourable Members who are opposing this measure have got to make. I would suggest, therefore, to you, Sir, that if I might have time to consider this over the luncheon interval, I could then make a definite statement after lunch as to the attitude of Government on the question of reference to a Select Committee.

**Mr. President** (The Honourable Sir Shanmukham Chetty): It has been distinctly understood that from the beginning of next week the House will confine itself only to the Reserve Bank and the Imperial Bank (Amendment) Bills, and that no other business will be taken up. If the Government are prepared to agree to refer this Bill to a Select Committee and, at the same time, are anxious that the Bill should be got through during this Session, and if that meets with the approval of non-official Members also, so far as the Chair is concerned, it will have no objection to direct that the House should sit for one extra day after the Reserve Bank and the Imperial Bank Bills are disposed of. That would enable the Government to dispose of this Bill, and I think what I have said now would probably help the Honourable the Finance Member to come to a decision on the point.

**Diwan Bahadur A. Ramaswami Mudaliar:** Sir, may I say on behalf of those who are supporting the Select Committee motion that we are equally anxious that the Honourable the Finance Member should have every facility to dispose of this Bill during this Session, and if it is necessary to extend the sitting of this Assembly for a day, we shall put no obstacle in the way.

**Mr. F. E. James** (Madras: European): Sir, the only question that I want to ask is, if the further disposal of this Bill is postponed to a day after the Reserve Bank and the Imperial Bank Bills are dealt with, would that allow sufficient time for the other House to consider this Bill before the end of the present Session?

**The Honourable Sir George Schuster:** Sir, I am most grateful to you for the helpful statement that you have made, and I am also grateful to my friend the Leader of the Independent Party, for what he said as regards his own attitude, and I hope that he spoke for his Party. The point which I should have, if I had had the opportunity, wished to discuss with you, Sir, is that every day, as regards delay in this legislation, if it is going to be passed at all, is a matter of considerable importance. I have already told the House of one particular shipment which has just arrived. We had contemplated that if this House had passed this measure, it would have been available for consideration by the other House on the first day when they assembled.

**Diwan Bahadur A. Ramaswami Mudaliar:** That is only 14th of December.

**The Honourable Sir George Schuster:** That was one of the points on which I wished to make inquiry during the luncheon interval. I was not

quite sure on what day the other House would assemble, but the point I would like to put to you is this. If the time-table could be so arranged that this Assembly should have the chance of disposing of this measure before the other House assembles, then I think that would be in everybody's interests, and, of course, we should not in the least be prejudiced by any delay up to that point. Therefore, Sir, what I would put to you is that possibly a suitable occasion might occur after the Reserve Bank Bill has been disposed of and before the Imperial Bank Bill is taken up, or possibly even in case of need, the discussions on the Reserve Bank Bill might be interrupted for a short time. I am prepared at once now to state that, if it is the general wish of the House, that this measure should be committed to a Select Committee, and if I can feel assured that Honourable Members will treat this as an urgent matter, then I would, on behalf of Government, raise no objection at all for its consideration in the Select Committee.

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): Sir, may I point out what the Honourable the Finance Member himself said that the matter was not of very great urgency. He had all the facts before him in September last, and he himself did not bring forward any measure in September, and that means that he could afford to wait. So I think that nothing will be lost if this measure be postponed for another fortnight. If we are satisfied in the Select Committee, we shall see that no loss occurs to the revenue provided the measure will not harm the poor people.

**Mr. G. Morgan** (Bengal: European): Sir, may I say on behalf of my group that we have no objection to this Bill being referred to a Select Committee on the lines suggested by the Honourable the Finance Member. We are very anxious to get this Bill through as quickly as possible, and there is no reason why the Select Committee should not meet at once. If extra time is required so that the Bill can come before the Council of State the first thing before they start on the Reserve Bank and the Imperial Bank Bills, it can be found, so that the Bill may become law during the current Session. Sir, I support the motion.

**Mr. President** (The Honourable Sir Shanmukham Chetty): It has already been notified that the other House will commence the present Session on the 14th December. If it is the general desire of the House that the discussion of the Imperial Bank Bill or the Reserve Bank Bill might be interrupted for a day before the 14th December to get this Bill through, the Chair will certainly have no objection.

**Several Honourable Members:** We have no objection.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair takes it that since the House agrees, it meets the wishes of the Government. But the Chair must warn Honourable Members who will serve on the Select Committee that according to its direction for the next two weeks the House is sitting on all the days in the week, including Saturdays and they should find time for the meetings of the Select Committee during those days.

**Dr. Ziauddin Ahmad:** Sir, I beg to move:

"That the Bill be referred to a Select Committee consisting of the Honourable Sir George Schuster, Mr. F. E. James, Mr. R. S. Sarma, Mr. Muhammad Anwar-ul-Azim, Khan Bahadur Haji Wajihuddin, Mr. K. P. Thampan, Mr. B. V. Jadhav, Mr. S. C. Mitra, Mr. Amar Nath Dutt, and the Mover, with instructions to report within fifteen days, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

**Mr. President** (The Honourable Sir Shanmukham Chetty): Will the Honourable Member read out the names once again?

**Dr. Ziauddin Ahmad:** The Honourable Sir George Schuster, Mr. F. E. James, Mr. R. S. Sarma, Mr. Muhammad Anwar-ul-Azim, Khan Bahadur Haji Wajihuddin, Mr. K. P. Thampan, Mr. B. V. Jadhav, Mr. S. C. Mitra, Mr. Amar Nath Dutt . . . .

**Mr. Amar Nath Dutt** (Burdwan Division: Non-Muhammadan Rural): I am not eager to go to the Select Committee.

**Dr. Ziauddin Ahmad:** . . . . and the Mover, with instructions to report within fifteen days, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five.

Sir, the reasons for which I move this reference to Select Committee are two. The first is, as the Honourable the Mover has 12 Noon. pointed out, that our consumption of kerosene oil has diminished by three million gallons a month, but the consumption in this particular kind of oil has increased by one million gallons only. This clearly shows that a large number of people who, on account of depression, cannot afford to purchase kerosene oil, are compelled to live in darkness. The little money they may have is spent in providing a dim light for a short time with this new oil, and it is quite possible, Sir, that this particular class of men may be hard hit. By increase in duty this class may also prefer to live in darkness. So, if we put a special duty or increase the duty, it does not follow that there will be an increase in the consumption of kerosene oil or an increase in the revenue. On the floor of this House I have repeatedly said that in the Finance Department of the Government of India the law of diminishing returns is never understood. They always apply the principle that if you increase the duty the income will increase proportionately. I remind the House of the story of the horse which I gave on one occasion, and that is the principle on which the Government always work.

**An Honourable Member:** What is that story?

**Dr. Ziauddin Ahmad:** I shall repeat it. If the value of a horse four years old is Rs. 100 what would be the value of a horse which is 24 years old? Multiply it by six and that will be the value of the horse, but they forget that after a certain age the law of diminishing returns applies. In spite of their constant experience during the last five years, they have not yet realised that increase of the duty does not necessarily mean an increase of income; it may even mean a loss of income. So, this is a point on which we would like to examine the question in greater detail in the Select Committee. We would like to be convinced that by

putting on this special duty there would certainly be an increase in the income and that there will not be a diminution in it. As a corollary to that, we would like to be satisfied that we are not harming the poorer class of people. We who are sitting in this Assembly Chamber and are not in touch with the poorer classes living in the villages do not realise the misery in which they are now living. I toured in my constituency about a month ago and I noticed that a good many villagers were now realising that it was better for them, more comfortable for them, if they went to the jail than live in their own houses in the villages. They say that they would get food to fill their stomach and that they would be better clad and housed in the jail. If these feelings are firmly rooted, then it will create a situation which may not be troublesome to the Finance Member, but certainly troublesome to the Home Member. If you increase the burden on the poorer people by an anna or even by a fraction of that, it will tell very hardly upon the life of these villagers. Therefore, this is also a point which ought to be looked into—that you are not unnecessarily taxing the poorer classes who cannot really afford to burn even a lamp and who prefer to live in darkness simply because they cannot afford to buy oil.

The next point which we should like to examine carefully is as to the framing of the rules. The Bill says:

"... specify the design, construction and materials of test lamps to be used for testing the burning properties of mineral oils in wick lamps and provide for the standardisation of such test lamps."

If you want us to vote without exercising our own judgment, it is a different matter; but if you ask us to vote with conscience, then I should certainly like to see what kind of lamp it is, whether that particular quality of lamp which you are using for this purpose can be changed from one type to another, and whether the kind of lamp is such as can be used only by the poorer classes and is not likely to be used by the upper classes, that is to say, those people who can afford. . . . .

**The Honourable Sir Brojendra Mitter** (Law Member): One of these lamps should be produced at the Select Committee as an exhibit!

**Diwan Bahadur A. Ramaswami Mudaliar**: And the oil!

**Dr. Ziauddin Ahmad**: We should perform our own experiments. If we are to give our opinion with conscience, then it is necessary that we should go in detail in the Select Committee about the nature of these lamps, the quality of the diesel oil which will burn in this lamp, and also whether these lamps are used by the poorer classes or not. These are the points which I think ought to be examined rather carefully before we exercise our right of vote. For these reasons I beg to move that the Bill be referred to a Select Committee.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Further amendment moved:

"That the Bill be referred to a Select Committee consisting of the Honourable Sir George Schuster, Mr. F. E. James, Mr. R. S. Sarma, Mr. Muhammad Anwar-ul-Azim, Khan Bahadur Haji Wajihuddin, Mr. K. P. Thampan, Mr. B. V. Jadhav, Mr. S. C. Mitra, Mr. Amar Nath Dutt, and the Mover, with instructions to report within fifteen days, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

**The Honourable Sir George Schuster:** I should like to move a small amendment to my Honourable friend's motion. I would not press it if it does not receive his acceptance, but I would like to suggest that as we have here a representative of the Government of Burma, Mr. Grantham, it would be valuable if he could be added to this Committee.

**Dr. Ziauddin Ahmad:** Certainly I would accept it with great pleasure. He is a very old class fellow of mine.

**The Honourable Sir George Schuster:** I move that the name of Mr. S. G. Grantham be added to the Select Committee. I should like to make one further suggestion, namely, that the Committee be asked to report within one week.

**Dr. Ziauddin Ahmad:** I said within a fortnight, and it means any convenient time between one and fourteen days.

**Some Honourable Members:** A week.

**Mr. Gaya Prasad Singh** (Muzaffarpur cum Champaran: Non-Muhammadan): I beg to move that the name of U Ba Maung who comes from Burma may be added and I hope that my Honourable friend will have no objection to the addition of his name.

**Dr. Ziauddin Ahmad:** Yes, that is all right.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Further amendments moved:

"That the names of Mr. S. G. Grantham and U Ba Maung be added to the Select Committee."

The question is that those names be added.

The motion was adopted.

**Mr. Lalchand Navalrai** (Sind: Non-Muhammadan Rural): I was for circulation of this Bill, because this is a very serious question. On the one hand there is the question of revenue that is being affected, and on the other hand there is an assertion in the representations, that have been made to us that this Bill is being passed in order to affect a company, which is an Indian company and has come into existence recently, and owing to the jealousy of the European firms or some of them who misrepresented things to the Government. That was why I sent an amendment for this Bill being circulated. Since then I find that an amendment for Select Committee has been moved. I would like to support that amendment only if I get a proper and satisfactory answer from the Honourable the Finance Member that he is in possession of facts, not only of one side, but of both sides and that he will place all the papers and materials and expert opinions before the Select Committee for their consideration, because, as the case is being made out on behalf of Government, I take it that this diesel oil is being considered in the first place as ordinarily used for fuel and it is only alleged that there is some capacity of lighting in it. Therefore, being ordinarily an oil for fuel, if there is really some capacity of illuminacy in it, it should be tested very carefully and the House should be satisfied that there is really

such a difference in it that it should be treated as not extraordinary, but ordinarily used as an illuminant. When I said that it was being said that misrepresentations had been made to the Government by some interested company, it was not my own assertion or allegation, but I think most Members had received telegrams from one national Petroleum Company, a copy of which I hold in my hands. It says:

"Understand Sir George Schuster moving Monday amendment customs tariff affecting import our diesel oil quality only seems this motion started by interested companies to harm Indian oil companies who have since their inception benefited India many crores of rupees by reduction rates also permanent benefit to India. If above Bill passed hurriedly will end Indian companies business resulting innumerable loss to India please arrange rejection above motion or at least get postponed for circulation and consideration press public and interested companies."

In the face of these allegations it is a serious thing. We should not vote for the Bill simply because it will bring certain revenues to the treasury. We should see that it is a righteous thing that the Government should have this revenue and I expect the Select Committee will go into the allegations on both sides and an opportunity should be given to the companies which are being affected to place its views before the Select Committee and satisfy them that this difference that is being made is not justified. Let me give the history of this case, how this national company alleges that it is being affected. It was said that the kind of diesel oil which was being imported by this company was such that it had illuminant capacity and it was being alleged at the same time that before 1930 such diesel oil was not imported. On the other side, as the Honourable Member read from the representation made by the company, there is an allegation that there was a similar kind or even better diesel oil which had more illuminant capacity which was being imported and charged not in the way in which it is now sought to be charged. This is a matter which is for the Select Committee to consider whether it is a fact that the Standard Oil Company did import before 1930 diesel oil and was charged under item 41 (2), and may I also ask the Select Committee to consider and find out this fact whether even at present there is a diesel oil of the Standard Oil Company which is being charged under 41 (2) as not being pure kerosene and as being used with a flashing power of over 150 degrees and yet it is being charged under 41 (2). If, therefore, justice is to be done, then it should be found out what is the difference between the two. Is there any difference between the diesel oil imported by the national company and that imported by the Standard Oil Company? The Select Committee would have to make that test and see for themselves if these allegations are correct or not.

Then, in my humble opinion, it seems to me, this oil rightly comes under 75 of the Act itself. It already provides for oil of that nature and, therefore, there is no necessity for having any other article as 40B. That is also a point for the Select Committee to consider. When you read 40, we see that 40 provides for what I would call as pure kerosene. It says kerosene, also any mineral oil other than kerosene and motor spirit which has its flashing point, etc. Now this is what I would call pure kerosene and this is charged to three annas nine pies duty, but there is article 75 which says all sorts of animal and mineral oils not otherwise specified. Now, kerosene oil is provided by 40 and there is already an article prescribing lesser duty for all other kinds of animal and mineral oil. Now, mineral oil would include kerosene of a lesser degree. If the pure kerosene or strong kerosene comes under 40, then any other kind of mineral oil which has illuminant power will come under 75. Therefore,

[Mr. Lalchand Navalrai.]

where is the necessity now to increase the duty unless it is only to do injustice of charging them more at a prohibitive rate as I will presently show. If it is, then in the case of this article, a right article, which has already been legislated by this Legislature, why should any new provision be now made? Article 40B which is sought to be enacted reads "mineral oil, not included in item No. 40 or item No. 40A" which is suitable for use as an illuminant in wick lamps. This means mineral oil which does not come under 40. This is already provided for by Article 75. Therefore, you will be providing two articles of a similar nature. I submit that there is no necessity for this legislation, but, however, as the Bill is going to the Select Committee, that is another point that should be considered there.

Now, Sir, see the justice of charging on the basis that all diesel oil is illuminant. No. It is not alleged at all. Only a portion of it, which is again very difficult to find out by the test of a burning lamp. However, that might be tried, but let us see what amount of incidence you are going to place by this amendment under item 40B and you will be simply astounded. Sir, under item 40 the incidence is three annas nine pies per gallon and under item 41 (2)—under which this diesel oil was being charged before until the time when it was changed to  $7\frac{1}{4}$  pies as was said by the Honourable Member—it was about four pies per gallon, and that will come to Rs. five annas five per ton. Then, under item 75, it is about  $7\frac{1}{4}$  pies per gallon, which will mean again about Rs. 10 per ton. Now, let us see what is the effect of this proposed legislation and see whether there is justice in it. We will be making a jump, which is most unreasonable and unrighteous. Under this article 40B, it will be two annas three pies per gallon plus a nine pies surcharge, which will mean three annas. In other words, it will be Rs. 52-11-0 per ton. The duty that was being paid at one time was Rs. 5-5-0. Then, that was raised to Rs. 10, and now you are raising it to Rs. 52 a ton. Is it not, therefore, Sir, a very serious question for the Select Committee and for this House to consider before any sanction is given to the amendment proposed in the Bill?

Then, Sir, I would submit that as we have not the facts before us, no reports of any experts before us and also as there is no correspondence, which the Honourable the Finance Member tells us he has acted upon, before us, I trust he will not have any objection to placing all those papers before the Select Committee. We shall certainly be wanting public opinion on that point, because if you are not circulating the measure for eliciting public opinion, then it would mean that the opinion of the public is neither before the House nor before the Select Committee. However, I would submit that that can be met by calling in some experts with regard to this oil, because you are giving a power into the hands of the customs officer which may be abused. After all, it may be a very small customs officer, and he may say: "Well, I will charge your diesel oil as an illuminant". If you ask him, "Why?", he will probably say, "Well, I have seen that that test applies". Well, he may be a man who may not be responsible. Then his report comes before the customs officer. Now, may I ask, if ever the report of a subordinate has been thrown away? This Indian company which came into existence only two years ago is going to be hit hard; and it has been already brought to the notice of the House that this company's oil is very much helpful to Indians as fuel and also if, as is alleged, it has some power as an illuminant, then that power, though small, is of such a nature as can be profitably used by the poorer people.

Then, there is one other thing I wish to draw attention to. I hope the Honourable the Finance Member will take note of this fact that it is being alleged while this sort of diesel oil, which is used in small tin lamps by only poor people, has the highest capacity of some lighting for one hour only and then it will again become fuel; that is, such oil will not afterwards give out any illuminant power. Are you, therefore, going to charge 52 per cent. on kerosene which only poor people use in small lamps with a small wick and which can only be used for one hour, it becoming useless afterwards? If so, you will be doing an act of clear injustice. Sir, I do not want to take any more time of the House, but I would ask that the learned members of the Select Committee should not, while considering everything that is being said from the Government side, rest content with mere assurances given by the Government that the customs officers have done their best and that there is justification for this tax or for this import duty being raised. They should see to the interests of both sides, because while I do not want that any revenue should be lost, it should not on the other hand be that, because there are certain companies interested in the Burma oil which, by the way, are purely European companies—there are three such European companies working in Burma, the Burma Shell, the Standard and the Indo-Burma—and have got long vested interests there, because they have been in existence for sixty years and have acquired a monopoly, the interests of some Indian companies which have now come into existence should not be safeguarded.

**Mr. Muhammad Azhar Ali:** (Lucknow and Fyzabad Divisions: Muhammadan Rural): Can you give us the names of such Indian companies?

**Mr. Lalchand Navalrai:** For instance, the National Petroleum Company which has come into existence about a year and a half ago; then there is another Indian company, the Western India Oil Distributing Company which has come into existence since a year. The three European companies now compete with this infant indigenous industry, and this industry, Sir, should be allowed to grow. The time will come when the competition may be on equal terms, but, until such time, let not the Legislature and let not the Government join hands with those European companies which have already got a monopoly. Now, representations are freely made, and such representations and the materials should be investigated into properly, before this particular oil is charged with the exorbitant or rather prohibitive duty of Rs. 52 a ton which will simply go to the demolition of these two Indian companies. If the Standard Oil Company was dealing in oil which was diesel oil and there was some power in it as an illuminant, then why is it that it is being charged under Article 41 (2)? It is not even charged under 75 yet, and I think there is no justice in that. Why should the Standard Oil Company or any other, which imports this diesel oil, be allowed by this House to have an advantage over the Indian company and pay a charge for the same kind of oil only under 41 (2) while this company should be charged at Rs. 52 a ton? I submit, therefore, that this matter should be very thoroughly investigated by the Select Committee.

There is one thing more that I wish to say with regard to item 41 (2), which reads thus:

"Oil which has its flashing point at or about 100 and 50 degrees of Fahrenheit thermometer and is such as is not ordinarily used except as fuel or for some sanitary or hygienic purposes."

[Mr. Lalchand Navalrai.]

I hope the members of the Select Committee will bear me out when I say that they will be doing proper justice if they make this company revert to pay duty under item 41 (2) and not under item 75 as their incidence has been raised to that limit. They should thoroughly go into that question and, if they do so, they will find that it comes under item 41 (2), because it is said "any other oil which has a flashing point at 150 degrees and is ordinarily used for fuel". Now, it has been admitted by the other side that ordinarily it is used as a fuel and it is only in extraordinary cases that it is used for other purposes. Of course, if it was stated that ordinarily it is used as an illuminant and extraordinarily it is used as a fuel, then item 75 would have applied. Sir, the Burma Shell Oil Company's oil is called diesel oil A and, in comparison to it, I have already referred to the Standard Company's diesel oil. So it is that diesel oil is being imported by the National Company only. I would also ask the members of the Select Committee not to be misled by the fact that because diesel oil has been shipped and will be imported soon, and on that account to hurry up the matter. Do not give any consideration to that fact. If you do so, you may be raising the revenue, but you will be doing injustice to the Indian companies which ought to be encouraged. Poor people who can get at a smaller rate the kerosene or diesel oil should not be hampered because of the advancement of the company's trade.

Sir, I would like to place before the House one thing more. How is the case being fought out by the House at the present time? The case is this. One side has got all the materials and the other side, namely, the non-official Members, are absolutely in the dark. There is no material before the House. The Honourable the Finance Member says: "Believe me." Of course, we have very much respect for him. But in this case he himself as a judge would like to consider both sides and then expect us to come forward and join hands with him in passing this Bill. I only hope and trust that the Select Committee will give this matter a very serious consideration and not be led away by influences.

**Mr. Amar Nath Dutt** May I be permitted to make a suggestion? In view of the learned speaker's study of the subject, he may be taken in the Select Committee in my place. I, therefore, beg to move that the Chair will kindly substitute the name of Mr. Lalchand Navalrai for that of mine.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair would deprecate the attempt to add names to the Select Committee at later stages; it must be done by agreement beforehand. But, in this particular case, if the Honourable Member wants to make room for another Honourable Member and the House has no objection, the Chair certainly has no objection. The question is:

"That the name of Mr. Lalchand Navalrai be substituted for that of Mr. Amar Nath Dutt."

The motion was adopted.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Today being Friday, the House will be adjourned at quarter to one, but if it is the wish of the House to carry on the discussion in the afternoon, we shall do so.

**Several Honourable Members:** There will be no need to sit in the afternoon.

**Mr. S. C. Mitra** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Sir, I support the motion of my friend, Dr. Ziauddin, for the Select Committee. I understand, the principle of the Bill is an attempt to bring in other kinds of oil under the same rate of taxes as the kerosene oil if it is used for burning purposes. If the object of the Bill is in any way to give preferential treatment to the Burma Shell group of companies, when they compete with other companies, then certainly I am against such a principle. There is a general apprehension that the Burma Shell group is always given some advantage here by the Indian Government and I would like to support my argument by citing specific cases. The Honourable the Finance Member said that he had received a very strong representation from the Burma Government about the probability of loss to the Burma Oil Company. May I ask him if he got any representation from the Burma Government as to how the Burmans are suffering because of the dumping of rice by Japan? The other strong point made out was about the loss of revenue that the Government of India are suffering from. Times without number it was suggested in this House that the excise duty and the import duty on kerosene should be equalised. Even one of our very efficient Commerce Members, Sir George Rainy, himself said that there was nothing wrong in that principle and he did not see any reason why it should not be done. Though we can get several lakhs—I think it is about a crore and a quarter—by equalising import duty on kerosene, I do not find even Sir George Schuster to be very anxious for more revenue in these bad days by tackling the question properly. We have found that this Burma Oil Company was selling petroleum cheaper in London than it is selling in India. We know from our daily experience in the market that the price of petroleum varies from Rs. 1-11-0 to Rs. 1-6-0 at very short intervals. If you make an inquiry, you will find that when the oil of other competing firms is exhausted, because they do not have proper facilities to store oil, they raise the prices. Is it fair for them to do so? Do they claim any special advantage from our people when they try their utmost to take as much as they can from the consumers? That is why I say it should be made clear that a fair deal will be made to all the parties and that no preferential treatment would be given to any particular group. I think we must be careful to see that our industry or our agriculture does not suffer in the least, because it is an unusual thing that it is only in India that the Honourable the Finance Member justifies even import duty on machinery used for agricultural purposes. In no part of the civilised world, in countries which are developing their industrial line, the machinery is taxed. If the cost of running this small machinery is increased by increasing the cost of machine oil, it will be an additional burden on the poor agriculturists. I appreciate the suggestion of the Honourable the Finance Member that if he finds that this tax weighs as a burden on industrial or agricultural machines, he will try his best to meet the situation. I say he is even now in a position to provide the means. What part of this one million gallon of diesel oil is used for running machines? As he said it will not be difficult to provide for it if he found it necessary. Why not from the beginning make a start and see that the oil used for machinery for agricultural purposes is not taxed extra.

The other point was emphasized by my Honourable friend, Dr. Ziauddin Ahmad, and I should like to repeat it that the standard lamp should be of a certain specification so that anybody could test it for himself so that

[Mr. S. C. Mitra.]

this may not be a new instrument in the hands of unscrupulous people to show their differentiation to any particular class of oil and, what we on this side of the House demand is a fair and just rule that one kind of oil may not be preferred to other kinds of oil. By competition we are now able to get cheaper oil. If there are more oil suppliers, the Indian consumers are benefited. With these words, I support the motion for reference to Select Committee.

**Mr. K. P. Thampan:** In view of the fact that the Government are going to accept the motion for reference to Select Committee, I beg leave of the House to withdraw my amendment for circulation.

The circulation motion was, by leave of the Assembly, withdrawn.

**The Honourable Sir George Schuster:** Sir, as I understand that the House is to be adjourned at 12.45 today, I only wish to reply very briefly as regards what my Honourable friend, Mr. Mitra, has just said. I feel quite confident that when he examines this matter in the Select Committee, he will be able to satisfy himself that what we are proposing now is not in the least influenced by any sort of partisan spirit. I have only heard one partisan representation made in this discussion and that fell from my Honourable friend, Mr. Lalchand Navalrai. If he fears taxation on his own speech I can reassure him that there is not the slightest chance of my suggesting taxing his speech as an illuminant. It was obviously only suitable for purposes of fuel. (Laughter.) I really do very hotly resent my Honourable friend's suggestion. He represents this motion as one which has been inspired by certain oil producing companies. I can assure him that in our consideration of this matter we have looked at it only from one point of view, that is the public interest, and my Honourable friends who are some of them sitting here who came to see me and pointed out to me how our revenues were suffering and how their own interests were being affected can tell my Honourable friend privately that I told them—I will not repeat my exact words—"I do not care for your interests, the only thing that influences me is the public interests as regards revenue".

**Mr. Lalchand Navalrai:** I have no doubt about that.

**The Honourable Sir George Schuster:** That is the spirit in which this measure is conceived. We shall now have an opportunity to go into it in great detail in the Select Committee. I welcome that opportunity, because I feel there are many misapprehensions present in the minds of Honourable Members and misapprehensions of that kind can be best corrected by a full and frank discussion across the table. We shall be ready to put before the Select Committee all the evidence we have on this matter and I am quite satisfied in my own mind that if they have seen that evidence they will support us in our proposals. Sir, I have already informed you that on behalf of Government we have no objection to this motion to refer the measure for the consideration of a Select Committee. I only wish to suggest one small amendment to the original motion, which, I understand, will be accepted by my Honourable friend, who moved it, namely, that the time within which the Committee has to report should not be 14 days, but seven days.

**Mr. President (The Honourable Sir Shanmukham Chetty):** The Chair takes it that the Honourable Member accepts the amendment proposed by the Honourable Sir George Schuster.

**Mr. S. C. Mitra:** I accept the amendment on behalf of my Honourable friend, Dr. Ziauddin Ahmad.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That the Bill further to amend the Indian Tariff Act, 1894, the Indian Finance Act, 1931, and the Sea Customs Act, 1878, for certain purposes, be referred to a Select Committee consisting of the Honourable Sir George Schuster, Mr. F. E. James, Mr. R. S. Sarma, Mr. Muhammad Anwar-ul-Azim, Khan Bahadur Haji Wajihuddin, Mr. K. P. Thampan, Mr. B. V. Jadhav, Mr. S. C. Mitra, Mr. Lalchand Navalrai, Mr. S. G. Grantham, U Ba Maung, and the Mover, with instructions to report within seven days, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Monday, the 27th November, 1933.



## LEGISLATIVE ASSEMBLY.

Monday, 27th November, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

### QUESTIONS AND ANSWERS.

#### GIVING OF TRUSTEE STATUS TO CENTRAL MORTGAGE BANK DEBENTURES.

1157. \***Mr. F. E. James:** With reference to the deputation which waited on the Honourable the Finance Member in April last in connection with the proposal to give trustee status to Central Mortgage Bank Debentures, will Government be pleased to state:

- (a) whether they have received an assurance from the Madras Government that they are prepared to guarantee both the principal and the interest of the Land Mortgage Bank Debentures; and
- (b) if so, whether legislation to effect the necessary amendment of the Indian Trust Act of 1882, is proposed to be undertaken at an early date?

**The Honourable Sir George Schuster:** We are still in correspondence with the Madras Government on this matter and I am not at present in a position to make a statement about it. If the Honourable Member and any other Honourable Member who is interested in the matter would like to speak to me afterwards, I will explain exactly how the position stands.

**Mr. F. E. James:** May I ask the Honourable Member if he would take advantage of the presence in New Delhi of the Minister from Madras who is concerned with this department, and have a discussion with him?

**The Honourable Sir George Schuster:** I might state here and now that I have already been approached by one Honourable Member from Madras on this matter, and I informed him that I am prepared to see any Members who are interested in this in my room as soon as the Assembly rises this evening.

**Dr. Ziauddin Ahmad:** On a point of order, Sir. I think answers to questions are public property and should be given on the floor of the House, so that Members may ask supplementary questions on points which are obscure in the original reply.

**The Honourable Sir George Schuster:** My Honourable friend may rest assured that anything that is done will be fully discussed in this House. But I wish to discuss privately with the Members, who are interested in this matter—and my Honourable friend will be very welcome if he likes to come himself—I wish to discuss with them the exact points of our correspondence with the Government of Madras.

**Mr. B. Das:** If such principles are recognised and certain facilities are given to the people of Madras, will such facilities be extended to other provinces which will open land mortgage banks?

**The Honourable Sir George Schuster:** My Honourable friend may rest assured that anything that is done in this case in regard to the Madras Government will constitute a precedent which will have to be followed in the case of other Provincial Governments.

**Mr. B. Sitaramaraju:** Is it not a fact that the recognition of these as trustee securities was recommended by the Royal Commission on Agriculture and also the Central Banking Inquiry Committee?

**The Honourable Sir George Schuster:** I am quite prepared to take that fact from my Honourable friend and to say that that recommendation will be given due weight.

**Dr. Ziauddin Ahmad:** I have not got a reply to my point of order.

**Mr. President (The Honourable Sir Shanmukham Chetty):** A point of order cannot be addressed to an Honourable Member on the Government Benches, but should be addressed to the Chair.

**Dr. Ziauddin Ahmad:** I am asking the Chair. I said that it was the right of the House to get replies to questions in the House itself and that the reply was public property. But the Honourable gentleman was introducing a new innovation in asking the Honourable Member to go to his private room and talk to him privately. I wish to know whether that is a reply to the question.

**Mr. President (The Honourable Sir Shanmukham Chetty):** The Chair has understood the Honourable the Finance Member to have given the reply to this question on the floor of the House and it is public property. The reply that he has given is that on this subject he proposes to discuss the matter with the representatives of Madras, and, later on, it is open to any Honourable Member to put down a question and ask what was the result of that discussion.

#### NON-TREATMENT OF HEAD MASTERS OF THE EAST INDIAN RAILWAY INDIAN HIGH SCHOOLS AS GAZETTED OFFICERS.

1158. \*Pandit Satyendra Nath Sen: (a) With reference to Mr. Rau's answer to part (e) of my question No. 275 of the 31st August, 1938, that the latest orders of Government are to the effect that the Head Masters of the East Indian Railway Indian High Schools should be treated as first class officers if the Head Masters of the Provincial Government High Schools, with whose pay their pay is assimilated, are so treated, will

Government be pleased to state if these orders relate to the treatment of the Head Masters of the East Indian Railway Indian High Schools in all matters affecting them?

(b) If the reply to part (a) be in the affirmative, will Government be pleased to state whether the said Head Masters are being so treated in all matters? If not, why not? Do Government propose to issue instructions to the Agent that they should be so treated in all matters?

(c) Is it intended by or implied in the said orders that the Head Masters of the East Indian Railway Indian High Schools should be treated as second class officers of the gazetted rank, if the Head Masters of the Provincial Government High Schools are so treated?

(d) Is the present position as stated by Mr. Rau in answer to part (e) of the question referred to in part (a) above? How do Government reconcile the same with Mr. Rau's answer to part (c) of the said question No. 275, that "the matter is under consideration on its merits"?

(e) If the question was then under consideration on its merits as stated, will Government be pleased to state if they have come to any decision in the matter? If so, what is the decision? If not, will they be pleased to state when a decision may be expected?

**Mr. P. R. Rau:** (a) No. In my reply, I said that the decision was for purposes of travelling allowance which my Honourable friend who is usually accurate in his quotations has unaccountably overlooked.

(b) Does not arise.

(c) All that is implied is that if officers of the Local Government in receipt of the same rate of pay are treated as officers of the second grade for purposes of travelling allowance, these officers would be entitled to second class passes.

(d) and (e). Government have carefully considered the question on its merits and decided not to treat these officers as gazetted officers.

#### NON-TREATMENT OF HEAD MASTERS OF THE EAST INDIAN RAILWAY INDIAN HIGH SCHOOLS AS GAZETTED OFFICERS.

1159. \***Pandit Satyendra Nath Sen:** With reference to Mr. Rau's answer to part (g) of my question No. 275, dated the 31st August, 1933, regarding the non-treatment of Head Masters of the East Indian Railway Indian High Schools as gazetted officers, that the letter of the 17th March, was superseded because it failed to convey accurately the intentions of the Railway Board, will Government be pleased to state what were the intentions of the Board in the matter which the letter failed to convey?

**Mr. P. R. Rau:** The intention was explained by me in reply to part (e) of the same question.

#### NON-TREATMENT OF HEAD MASTERS OF THE EAST INDIAN RAILWAY INDIAN HIGH SCHOOLS AS GAZETTED OFFICERS.

1160. \***Pandit Satyendra Nath Sen:** (a) With reference to Mr. P. R. Rau's answer to part (c) of my question No. 275, of the 31st August, 1933, that Government saw no reason to follow the classification of officers by the Provincial Governments, will Government be pleased to state if it is an accepted and well established principle of the Government of India and the

Provincial Governments that similar officers on similar scales of pay serving under different administrations in India should all be treated alike? If so, what is the reason for the departure from this principle in the case of Head Masters in the schools under the Railway Board?

(b) Will Government be pleased to state if there are Government High Schools in the centrally administered areas for which the Government of India are responsible?

(c) If the answer to part (b) is in the affirmative, will Government be pleased to state what classification is adopted by the Central Government with regard to the Head Masters in the Government schools in those areas under the central administration?

(d) Is it a fact that there are Government High Schools at Delhi and Ajmere in the centrally administered areas?

(e) Is it a fact that the Head Masters of the Delhi and Ajmere Government High Schools under the central administration are treated as gazetted officers and that their scale of pay is only Rs. 200—25—500?

(f) If the answer to part (e) be in the affirmative, why do Government treat the Head Masters of the East Indian Railway Indian High Schools as only subordinates? Is it a fact that they are on higher scales of pay than the Head Masters of the Delhi and Ajmere Government High Schools, and that both the classes of schools are under the Government of India?

(g) Are Government prepared to issue instructions so that the Head Masters of the East Indian Railway Indian High Schools may be given the same status as has been given to other Head Masters under the Government of India as also to the Head Masters of the Provincial Government High Schools with whose pay their pay has been assimilated?

**Mr. P. R. Rau:** (a) I am not aware of any such rigid principle. The question whether a particular officer should be treated as gazetted or not is one for decision by each Local Government on the merits of each particular case.

(b) Yes.

(c) I have already given the information required in reply to my Honorable friend's starred question No. 275 in the last Session.

(d) Yes.

(e) These officers are treated as gazetted officers, but their pay is not the same.

(f) and (g). I have already explained that Government see no reason to adopt the same classification on railways as in Government schools either under provincial administrations or in centrally administered areas. Railways must consider the question of status of Head Masters in railway schools with reference to the status of other railway servants, and not with that of other Government servants.

#### STATUS OF TEACHERS OF THE EAST INDIAN RAILWAY INDIAN SCHOOLS.

1161. \*Pandit Satyendra Nath Sen: (a) With reference to Mr. Rau's answer to parts (j), (k) and (l) of my question No. 274, dated the 31st August, 1938, regarding the status of teachers of the East Indian Railway Indian Schools, will Government be pleased to state if information has been obtained from the Agent of the Railway as to whether a ruling was given

by him to the Income-tax Department that the teachers in the East Indian Railway European and Indian Schools are not Railway servants like the other employees?

(b) If the reply to part (a) be in the affirmative, why was such a ruling given in view of the declarations of Government, referred to in parts (b), (c), (d), (e), (f) and (g) of the same question?

(c) What did the Agent mean by the said ruling?

**Mr. P. R. Rau:** The Agent, East Indian Railway, reports as follows:

"In connection with assessment of Income-tax, the Commissioner of Income-tax, Bengal, recently pointed out that as these employees are paid by the Local Committees from the funds at their disposal and not by the Chief Accounts Officer of this railway, that officer was not in a position nor could he legally be required to submit annual returns in respect of these teachers nor be held responsible for deduction of tax at source. The effect of this was to take them out of item 10 of paragraph 24 of the Schedule, page 165 of the Income-tax Manual and they would normally be assessed by the Income-tax Officers of the area in which they reside instead of by the special Railway Salaries Circle Officer. To this contention the Agent agreed, after consultation with the Chief Accounts Officer, that these teachers are employees of the local committees and not of the Railway Administration as such for the purpose of income-tax only."

#### USE OF SERVICE STAMPS BY THE EAST INDIAN RAILWAY OAKGROVE EUROPEAN SCHOOL.

1162. \***Pandit Satyendra Nath Sen:** (a) Will Government be pleased to state if the information asked for regarding the use of service stamps by the East Indian Railway, Oakgrove European School has been obtained, and, if so, will they be pleased to lay it on the table?

(b) Is it a fact that service stamps are used by the Oakgrove European School? If so, are Government prepared to issue instructions so that the East Indian Railway Indian High Schools may also be allowed the same privilege, if they so desire?

**Mr. P. R. Rau:** (a) Government are informed that service stamps are used in Oakgrove European School but the school accounts are debited with the cost of such service stamps. The differentiation is due to the fact that the expenses of that school are met from railway revenues direct and the accounts kept by the Chief Accounts Officer, East Indian Railway, whereas the other East Indian Railway schools are financed by definite grants by the East Indian Railway and by the Local Government and their accounts kept by the Managing Committee.

(b) Government cannot see what advantage can be gained by following the suggestion.

#### IMPROVEMENT OF THE BURDWAN-ARAMBAGH ROAD.

1163. \***Mr. Amar Nath Dutt:** (a) Is it a fact that Rs. 5,00,000 have been allotted for the improvement of the Burdwan-Arambagh Road from the money allotted to Bengal by the Road Board?

(b) Is it a fact that the allotment was made some years ago, and that the work has not commenced as yet? If so, what is the reason for the delay?

(c) Are Government aware that the road is of inter-provincial importance, connecting Puri in Orissa and Ganjam in the Madras Presidency with Bengal?

(d) Are Government aware that the road is a historic one, and is mentioned in the ancient literature of Bengal? Are Government aware that Moghul and Mahratta armies used to pass over this road and mention of it has been made in *Sair-e-Mutakhrin* and other historical works?

(e) Do Government propose to allot money for the construction of a bridge on this road over the Damodar river to enable motor cars from Calcutta and other places to pass without any trouble and delay? If so, has any scheme been prepared for the same?

**The Honourable Sir Frank Noyce:** (a) Construction and re-construction on the Burdwan-Arambagh road at an estimated cost of Rs. 5 lakhs was one of the schemes proposed by the Local Government and approved by the Government of India in 1930 in the programme of schemes to be financed from the share of the Government of Bengal in the Road Development Account.

(b) So far as the Government of India are aware, the work has not been commenced. The order of commencement of schemes in the approved programme rests with the Local Government and the Government of India presume that the Local Government have deemed other schemes to be of greater urgency.

(c) The Government of India doubt whether the road could be so described.

(d) Government have no reason to doubt the accuracy of the Honourable Member's statement.

(e) No proposal for the construction of this bridge has been received from the Local Government; the question of an allotment from the road development fund does not therefore at present arise.

**Mr. B. Das:** With reference to the reply to part (c) of the question, may I remind the Honourable Member that the independent army of the Orissa kings conquered Bengal and marched by this road up to Burdwan?

**The Honourable Sir Frank Noyce:** I am glad to have that information from the Honourable Member. (Laughter.)

**Mr. Amar Nath Dutt:** If the question had been put to me, I could have given a more fitting reply. It is not a fact that the army of Orissa kings ever came to Bengal, but Bengal was raided by the Mahrattas who were known as *bargis*; they never conquered Bengal and certainly the Oriyas could never dream of conquest of Bengal.

**Mr. B. Das:** Is it not a fact of history that the Oriya people conquered Burdwan and went as far as Katwa?

**Mr. Amar Nath Dutt:** No, never. (Laughter.)

**Dr. Ziauddin Ahmad:** May I ask a question? Is it within the province of the Government of India to see that the money given to Local Governments is spent for the purpose for which it is given and not misused?

**The Honourable Sir Frank Noyce:** Certainly, Sir, and that is done.

**Dr. Ziauddin Ahmad:** May I just remind him that the money allotted for the road funds is very much misused by the District Boards practically everywhere in the United Provinces? Have the Government of India ever made any inquiry about it?

**The Honourable Sir Frank Noyce:** I have no information on that point: if the Honourable Member can give me details, I shall be glad to make enquiries.

**Mr. Gaya Prasad Singh:** Are not these District Boards run mostly by non-officials?

**REPORT OF THE INDIAN DELEGATION TO THE LEAGUE OF NATIONS LED BY SIR BROJENDRA MITTER.**

1164. \***Dr. Ziauddin Ahmad:** (a) Is the report of the Indian Delegation to the League of Nations headed by Sir Brojendra Mitter in the year 1938 printed?

(b) Do Government propose to circulate a copy of such report among the members of this House?

(c) Do Government propose to give an opportunity to this House to discuss that report?

**The Honourable Sir Brojendra Mitter:** (a) and (b). The Report of the Delegates of India to the 14th (Ordinary) Session of the League of Nations in 1938 has not yet been made. Copies of the Report will as usual be supplied to Members of the Indian Legislature in due course. I may add for the information of the House that, since this reply was prepared, the Draft Report has been approved by me and by my colleagues: it has not yet been formally made.

(c) Government do not anticipate that there will be any occasion for them to arrange for the discussion of the Report as a whole or of any part thereof, but it will be open to any Honourable Member to give notice of a motion relating to any part of the Report which he desires to be discussed.

**Mr. B. Das:** Is it not a fact that the Honourable the Leader of the House as a delegate from India was very much dissatisfied with the working of the League of Nations and that, on his return to India, he gave a Press interview wherein he expressed that dissatisfaction?

**The Honourable Sir Brojendra Mitter:** That question cannot be answered in a word or two. There may be dissatisfaction in some respects: there was supreme satisfaction in other respects.

**Mr. D. K. Lahiri Chaudhury:** Will the Honourable Member make a statement to the effect that it was satisfactory or unsatisfactory?

**The Honourable Sir Brojendra Mitter:** I cannot.

**Diwan Bahadur A. Ramaswami Mudaliar:** In view of the feeling about the work of the Indian Delegation, particularly this year, will the Honourable the Leader of the House consider the advisability of giving the House an opportunity for discussion of the Report by the House?

**The Honourable Sir Brojendra Mitter:** I have answered that question: the Report covers scores of subjects, and I do not think it is desirable that the Report as a whole should be discussed: but any particular matter covered by the Report may be the subject-matter of useful discussion if a proper motion for the purpose be tabled.

**Sir Cowasji Jehangir:** Will Government give facilities for such a motion?

**The Honourable Sir Brojendra Mitter:** Is it hardly possible this Session; but we shall certainly consider whether facilities can be given next Session.

**Sir Cowasji Jehangir:** "Consider" means an assurance, I expect.

**Dr. Ziauddin Ahmad:** Will it be possible for us to receive a copy of the Report sometimes before we disperse this Session?

**The Honourable Sir Brojendra Mitter:** As I said, the Draft Report has just been approved; it will have to be printed in England, and when we get copies, we shall have them duplicated here.

#### REPORT OF THE INDIAN DELEGATION TO THE LEAGUE OF NATIONS LED BY SIR MUHAMMAD HABIBULLAH.

1165. \***Dr. Ziauddin Ahmad:** (a) What action, if any, was taken by Government on the report of the Indian Delegation to the League of Nations led by Sir Muhammad Habibullah, the then Education Member of the Government of India?

(b) Have Government considered the recommendation of the Delegation that a permanent Indian Delegation be appointed at Geneva?

**The Honourable Sir Brojendra Mitter:** (a) and (b). The Honourable Member is referred to my speech on the Resolution moved by the Honourable Sir Phiroze Sethna in the Council of State on the 14th July., 1930. I should request the Honourable Member to await the Report of the last Delegation.

#### INDIANS EMPLOYED IN THE SECRETARIAT OF THE LEAGUE OF NATIONS.

1166. \***Dr. Ziauddin Ahmad:** (a) What is the number of Indians employed in the Secretariat of the League of Nations?

(b) Are Government aware that the number is inadequate?

(c) What steps, if any, have Government taken to increase the number of Indians in the staff of the Secretariat of the League of Nations?

**The Honourable Sir Brojendra Mitter:** (a) and (b). The number is nine. I must leave the Honourable Member to form his own opinion as to its adequacy, but I would invite his attention to the reflections contained in paragraph 60 of the report of the Delegates of India to the thirteenth (Ordinary) Session of the Assembly of the League of Nations in 1932.

(c) I would refer the Honourable Member to the reply in the Council of State to part (b) of question No. 37 of the 4th March, 1929.

**Mr. B. Das:** Is it not a fact that Sir Homi Mehta, who was a colleague of the Honourable the Leader of the House at the last Conference, made

a speech at the League of Nations that Indians should be employed in larger numbers in the League of Nations, and that those nationals who do not pay such heavy amount as India pays should be excluded from the services of the League of Nations?

**The Honourable Sir Brojendra Mitter:** My Honourable friend's information is substantially correct.

**Dr. Ziauddin Ahmad:** Have the Government ever pressed the League of Nations, on behalf of this House, that it is our desire that Indians ought to be employed in larger numbers in the League of Nations, for two reasons, first, we should have our due share of the payment which we make, and, secondly, it gives opportunity for Indians to be trained in international politics?

**The Honourable Sir Brojendra Mitter:** Government are always anxious to find larger employment for Indian nationals in the Secretariat of the League of Nations, and, so far as I know, every Delegation for the last few years has pressed that point upon the Secretary General, but the Government as a government can do nothing in the matter, because all appointments are in the hands of the Secretariat General uncontrolled by any nation.

**Dr. Ziauddin Ahmad:** It is within the purview of this House to refuse the grant to the League of Nations, and we will refuse unless they agree that they would give us a fair share in the services of the Secretariat of the League.

**The Honourable Sir Brojendra Mitter:** Undoubtedly, Sir: it is votable.

#### CONTRIBUTIONS MADE BY INDIA AND CHINA TO THE LEAGUE OF NATIONS.

1167. \***Dr. Ziauddin Ahmad:** (a) Are Government aware that the League of Nations sent an Education Commission to China at its own expense?

(b) Are Government aware that the League of Nations sent a Commission for the co-ordination of communications in China at its own expense? Have Government seen its report?

(c) What is the contribution of China to the League of Nations? What is the contribution of India to the League of Nations?

**The Honourable Sir Brojendra Mitter:** (a) Yes.

(b) The Honourable Member is referred to the paragraph headed "Collaboration between the Chinese National Government and the Communications and Transit Organisation" on page 88 of the Report on the work of the League since the 18th Session of the Assembly, a copy of which is in the Library. The Government of India have not seen the report referred to therein, i.e., in the other report.

(c) China . . . . .	1,518,755,63 gold francs.
India . . . . .	1,848,919,89 gold francs.

**Dr. Ziauddin Ahmad:** Is it not a fact that India contributes more than China does to the League of Nations? May I further ask, if we ever asked the League of Nations to help us in the solution of our problems as China has done?

**The Honourable Sir Brojendra Mitter:** I am not in a position to give an answer to the second part of the Honourable Member's question straight-away. But, I do know that Sir Arthur Salter once came out here on behalf of the League and he produced a valuable report, and it may be within the recollection of Honourable Members that the League sent out a Malaria Commission to India at the League of Nations' expense. On what other occasions the League of Nations helped us I cannot say now: with regard to the first part of my Honourable friend's question as to who is the bigger contributor, India or China, my learned friend as a mathematician will find his own answer: I have given him the figures:

**Dr. Ziauddin Ahmad:** I have myself seen the Report, and I think it is a very valuable contribution to education, and I wish that we invite the League of Nations to make a similar Report on our education: I think it will be very useful if the Honourable Member sees his way to invite the League of Nations to help us in this problem.

#### SOLUTION OF THE PROBLEM OF MALARIA WITH THE HELP OF THE LEAGUE OF NATIONS.

1168. \***Dr. Ziauddin Ahmad:** (a) In what countries to the knowledge of Government has the problem of malaria been successfully solved?

(b) Did Government ever contemplate seeking the advice of the League of Nations to help India in the solution of this problem?

**Mr. G. S. Bajpai:** (a) Malaria presents an infinite variety of problems each of which has to be considered on its merits and solved with reference to the particular features which it displays. Although success has been achieved in individual anti-malaria projects in more than one country including India, I would hesitate to say that any country had successfully solved all its malaria problems.

(b) On the invitation of the Government of India the Malaria Commission of the Health Committee of the League of Nations visited India in 1929 to study our methods of anti-malarial investigation and research. A copy of the Commission's report will be found in the Library of the House.

**Dr. Ziauddin Ahmad:** Will the Honourable Member say whether it is not a fact that the problem of malaria is better solved in some other countries, like Italy, and will it not be possible for the Government to invite the League of Nations again to send out another Committee to investigate the problem in India?

**Mr. G. S. Bajpai:** No, Sir. The Government of India have got a malaria survey of their own which is functioning very successfully, and the Local Governments, in whose province the public administration of this subject falls, are at liberty to take advantage of that as also of the recommendations made by the Health Committee of the League of Nations.

**Dr. Ziauddin Ahmad:** I am glad to hear that they are functioning very satisfactorily. May I then understand that there will be no malaria at all from next year?

**Mr. G. S. Bajpai:** I shall be very happy to learn from my Honourable friend whether even in Italy there is no malaria?

**Dr. Ziauddin Ahmad:** That I am not in a position to state, but from the statement of the Honourable Member that the problem is being successfully solved, I thought that the Government of India were perfectly certain that they would be able to tackle the problem of malaria with their own resources, and in that case I have nothing more to add, but if they find that they cannot successfully deal with the question of malaria, then it is not in any way derogatory to invite the League of Nations to send out some experts to India to investigate the matter again . . . .

**Mr. President (The Honourable Sir Shanmukham Chetty):** What is the question ?

**Dr. Ziauddin Ahmad:** My question is, that after the statement which the Honourable Member has made, will he be good enough to take the initiative in the matter and invite the League of Nations to send out a Commission to India to study the problem of malaria in this country ?

**Mr. G. S. Bajpai:** Sir, the League of Nations were invited to send out a Malaria Commission in 1929. That Commission has been to India, has examined the conditions, and submitted a Report. The Government of India do not think it to be necessary to ask them to send out a Commission again.

**Mr. M. Maswood Ahmad:** Are Government aware that malaria cases are very common in the Delhi Province nowadays ?

**Mr. G. S. Bajpai:** I do not think that it is a problem which is peculiar to the Delhi Province only. It is common to all parts of India.

**Mr. Muhammad Yamin Khan:** What did the last Malaria Commission cost, may I know ?

**Mr. G. S. Bajpai:** The Commission came out at the expense of the League of Nations.

**Mr. M. Maswood Ahmad:** May I take it that the Government methods which have been adopted to check malaria are not successful in the Delhi Province at least ?

**Mr. G. S. Bajpai:** The one method of which I am aware is quininisation, and that has been successful.

**Kunwar Hajee Ismail Ali Khan:** May I know if malaria is increasing or decreasing every year ?

**Mr. G. S. Bajpai:** The incidence of malaria varies from year to year.

**Mr. B. Das:** Is it not a fact, Sir, that the problem of malaria is interconnected with the drainage problem of the country which Italy has solved, and is it not a fact that the large mortality, not only in Delhi, but also in Orissa, is due to the recent floods, because there is a lack of proper drainage ?

**Mr. G. S. Bajpai:** I am very glad that my Honourable friend has mentioned one aspect of the problem, and that is drainage, but I can assure him, there are many others.

**Mr. B. Das:** Have Government taken any steps to solve them in Orissa ?

**Mr. G. S. Bajpai:** I should be very happy if my friend would address that question to the proper authority, which is the Government of Bihar and Orissa.

**Mr. B. Das:** What about Delhi ?

**Dr. Ziauddin Ahmad:** In view of the fact that the incidence of malaria varies from year to year, is it not the duty of the Government of India to appoint an expert Inquiry Committee to find out this law of variation of incidence of malaria so that the problem of malaria may be tackled satisfactorily ?

**Mr. G. S. Bajpai:** No, Sir; because the causes of the incidence of malaria and the scientific principles dealing with it are fairly well known. The real difficulty is that there is no money forthcoming from the provincial purse for giving effect to these principles.

**Dr. Ziauddin Ahmad:** You have just answered my question. If the Government of India or the Provincial Governments have no money, why don't you invite the League of Nations on our behalf to send out a Commission to India to examine the position ?

**Mr. G. S. Bajpai:** I doubt very much whether even the resources of the League of Nations will be equal to meeting the cost of eliminating malaria from India.

**Dr. Ziauddin Ahmad:** If the League of Nations refuse to send out an expert Inquiry Commission, we will consider whether we should continue the payment of our grant to them.

#### INDIA'S MEMBERSHIP OF THE COUNCIL OF THE LEAGUE OF NATIONS.

1169. \***Dr. Ziauddin Ahmad:** (a) Is India a permanent member of the Council of the League of Nations ? If not, why not ?

(b) Have Government ever taken any action to secure a permanent place in the Council of the League of Nations ?

**The Honourable Sir Brojendra Mitter:** (a) The Honourable Member is referred to Article 4 of the Covenant of the League of Nations.

(b) No.

**Dr. Ziauddin Ahmad:** In view of the last contribution by the Government of India to the League of Nations, will the Government take proper steps to secure a permanent place for India in the League of Nations ?

**The Honourable Sir Brojendra Mitter:** It is not possible to do anything, because permanent seats are provided for in the Covenant of the League of Nations, unless you amend the Covenant, nothing can be done.

**Dr. Ziauddin Ahmad:** Then I would ask the Government of India to get the Covenant amended. Now there are vacancies, two Nations have gone out, and there is no reason why the Covenant should not be changed so that India may have a permanent place in the League of Nations ?

**The Honourable Sir Brojendra Mitter:** The Government of India do not as a rule undertake impossibilities. They cannot amend the Covenant.

**Mr. T. N. Ramakrishna Reddi:** In view of the fact that the contribution, which India is giving to the League of Nations, is a great strain on the revenues of India, and in view of the fact that the Government of India is not receiving any benefits for its money's worth, will Government seriously consider the advisability of withdrawing from the League of Nations?

**The Honourable Sir Brojendra Mitter:** No, Sir; there is no desire on the part of the Government of India to withdraw from the League of Nations.

**Mr. Lalchand Navalrai:** May I know whether India is really benefiting by our contributions and association with the League?

**Mr. President** (The Honourable Sir Shanmukham Chetty): That is asking for an expression of opinion.

**Dr. Ziauddin Ahmad:** My question does not relate so much to our contribution, but I want that a permanent place should be found for India in the League of Nations.

#### RADIO TRANSMITTING STATIONS IN INDIA.

1170. \***Dr. Ziauddin Ahmad:** (a) What is the total number of radio transmitting stations in India?

(b) Is it not a fact that about half of the energy is wasted on the sea on account of the transmitting stations being situated near the sea-coast?

(c) Is it not a fact that Sir Frank Noyce on behalf of Government admitted the necessity of establishing a transmitting centre at Delhi?

(d) Have Government drawn up a scheme for establishing such a centre? Has any scheme been submitted to the Finance Department?

(e) What is the estimated cost of erecting five kilowatt transmitting stations at Delhi?

**The Honourable Sir Frank Noyce:** (a) The number of broadcasting stations of the Indian State Broadcasting Service (to which the question presumably refers) is 2, namely, at Bombay and Calcutta. There are in addition small stations licensed on a temporary basis at Lahore and Madras.

(b) This is more or less correct in the case of Bombay, but Bombay is nevertheless obviously the right place for a station. If the Bombay station were moved inland the service in the populous area in and near Bombay would be impaired and difficulties in respect of programmes would also arise.

(c) I have no recollection of committing myself to anything more definite than a statement that it was desirable that the number of broadcasting stations should be increased but Government agree that a broadcasting station will probably be required eventually at Delhi.

(d) No.

(e) The cost of erecting a station of 5 kilowatts aerial power would be of the order of 2 lakhs of rupees.

**Dr. Ziauddin Ahmad:** Is the Honourable Member aware that radio messages are not quite correct after a certain distance? You may sometimes hear very distinctly, but you cannot rely upon them. 300 miles is practically the outside maximum and within which it is always possible to hear. In view of this fact, will it not be desirable to take early steps in the interests of the people of Northern India to have a radio transmitting centre at Delhi?

**The Honourable Sir Frank Noyce:** I think, Sir, that first necessity is to improve the stations at Bombay and Calcutta. As soon as that has been done, and if funds are available, Government will consider the advisability, —I have admitted the desirability—of establishing a station at Delhi.

**Sir Cowasji Jehangir:** Is it always possible to catch Bombay from Delhi?

**The Honourable Sir Frank Noyce:** I think not. I am not an expert in these matters, but as far as I know, the reception from the Bombay station at Delhi is very imperfect, if not impossible.

**Mr. F. E. James:** Has the Honourable Member given further consideration to the suggestion made at the last Session in the debate that there should be a conference of those engaged in broadcasting activities with a view to co-ordinating their efforts in this direction so as to eliminate as much waste as possible?

**The Honourable Sir Frank Noyce:** I do not think that there is any waste at the present moment. I need hardly say that the suggestion which has been put forward by my Honourable friend is engaging my attention, and that as soon as a conference appears likely to be useful, it will be summoned.

#### WITHDRAWALS FROM THE LEAGUE OF NATIONS.

1171. \***Mr. K. G. Neogy** (on behalf of Sardar Sant Singh): (a) Are Government in a position to state the names of the countries that have given notice of withdrawal from the League of Nations? How many countries now constitute the League?

(b) What were the contributions of the countries which have withdrawn?

(c) What countries have not paid their annual contributions and what is the total amount standing against them?

(d) In view of the inability of the League of Nations to use coercive measures against the defaulting countries, are Government prepared to stop the contributions of India till arrears have been realised?

**The Honourable Sir Brojendra Mitter:** (a) Mexico, Japan and Germany have given notice of withdrawal but continue to be members pending the expiration of the period of notice. 57 countries are now members of the League.

(b) Mexico	.	.	.	.	.	462,229·97	gold francs.
Japan	.	.	.	.	.	1,980,985·60	gold francs.
Germany	.	.	.	.	.	2,608,297·71	gold francs.

(c) The Honourable Member will find the latest published information on page 196 of Special Supplement No. 107 to the Official Journal of the League of Nations, for 1932.

(d) No.

**Diwan Bahadur A. Ramaswami Mudaliar:** In view of the fact that a large number of countries have defaulted in making their annual payments, has the Indian Delegation suggested any steps whereby they could be recovered?

**The Honourable Sir Brojendra Mitter:** Yes. The Indian Delegation did, and the suggestions of the Indian Delegation were received very favourably by the majority of the nations which were on the Fourth Committee of the League. On the assurance of the Secretary General and of the Supervisory Commission of the League resolutions embodying those suggestions were withdrawn. The Secretary General as well as the Supervisory Commission assured the Fourth Committee that our suggestions as far as possible would be carried out next year.

**Diwan Bahadur A. Ramaswami Mudaliar:** Was it one of the suggestions of the Indian Delegation that the defaulting member should not be permitted to vote for the non-permanent members of the Council of the League?

**The Honourable Sir Brojendra Mitter:** So far as my recollection goes, that was not one of the suggestions, but one of the suggestions was that nationals of defaulting countries should not occupy any office.

#### WITHDRAWAL OF INDIA FROM THE LEAGUE OF NATIONS.

1172. \***Mr. K. C. Neogy** (on behalf of Sardar Sant Singh): (a) Is it a fact that the League of Nations has failed to enforce its will on the nations refusing to submit to its decisions?

(b) Do Government propose to withdraw from the League of Nations, and thus save the Indian tax-payer from a heavy annual contribution?

**The Honourable Sir Brojendra Mitter:** (a) I must leave the Honourable Member to form his own opinion on a question which appears to be inspired by a misconception of the nature of the League's functions.

(b) The answer is in the negative.

#### FLUCTUATION IN THE PRICE OF PETROL IN DELHI.

1173. \***Mr. K. C. Neogy** (on behalf of Sardar Sant Singh): (a) Are Government aware that petrol prices in Delhi are reduced by the Burmah Oil, Shell and other companies when the Russian petrol reaches here and are raised when the supply of the Russian petrol is exhausted? If so, are Government prepared to investigate into the alleged combination of these companies to exploit the motor-owners?

(b) Are Government aware that secret instructions have been issued to the police to harass the taxi-owners who use Russian petrol?

(c) Is it a fact that no pump or stand for Russian petrol has so far been allowed to be put up in Delhi? If so, why?

**The Honourable Sir Joseph Bhore:** Enquiries are being made and the result will be communicated to the House as soon as possible.

**Mr. Lalchand Navalrai:** Is it not a fact that this pétrol is selling here dearer than in England?

**The Honourable Sir Joseph Bhore:** I have no information, Sir, as to the price at which petrol is selling at present in England.

**Mr. Lalchand Navalrai:** Will the Honourable Member make enquiries about it?

**The Honourable Sir Joseph Bhore:** Certainly, Sir, if my Honourable friend is desirous of having information on that point.

**Dr. Ziauddin Ahmad:** Assuming that the Honourable Member himself is a consumer of petrol and has got a car, is it not a fact that, whenever Russian oil comes into Delhi, the price of petrol falls to Rs. 1-5-0, and, when it is out of stock, the price of petrol goes up to Rs. 1-11-6?

**The Honourable Sir Joseph Bhore:** I cannot say what the cause is, but I have certainly noted very great variations in the price of petrol.

**Mr. R. S. Sarma:** Instead of troubling the Honourable the Commerce Member to get information as to the price of petrol in England, could we not get the same information from some of the members of the Reserve Bank Committee and the Statutory Railway Committee; they might have purchased petrol in England and paid for it themselves if somebody else did not do so?

**Dr. Ziauddin Ahmad:** I say, the price is cheaper in England than in India. May I say that the Honourable the Commerce Member has not got sufficient curiosity to find out the reasons for this sudden rise and fall in prices?

**The Honourable Sir Joseph Bhore:** I am thankful for small mercies, and I purchase as much petrol as I possibly can when the price is low. (Laughter.)

**Dr. Ziauddin Ahmad:** May I assume that the Honourable Member by some methods practically knows beforehand at what time the price will be lower and at what time it will be higher? Will he communicate them to other Members of the House so that they may also save some money?

**The Honourable Sir Joseph Bhore:** I only wish I did.

#### DENIAL OF RAILWAY FACILITIES TO THE IMPORT OF RUSSIAN PETROL.

1174. \***Mr. K. C. Neogy** (on behalf of Sardar Sant Singh): Is it a fact that railway facilities are denied to the import of Russian petrol?

**Mr. P. R. Rau:** If my Honourable friend will let me know what railway facilities he is referring to and on which railway he is informed they have been denied to the import of Russian petrol, I shall make enquiries; but it is impossible for me to believe what the question rather implies that any railway has refused to carry such petrol.

**DISCHARGE OF ONE MR. M. R. KHOSLA, A CHARGEMAN ELECTRICIAN IN THE MOGHULPURA SHOPS ON THE NORTH WESTERN RAILWAY.**

1175. \***Mr. K. C. Neogy** (on behalf of Sardar Sant Singh): (a) With reference to my unstarred question No. 27 (a) replied to on the 5th September, 1933, to the effect that Government have no reason to believe that the rules regarding discharge and dismissal of State Railways non-gazetted Government servants are not carried out on the North Western Railway, are Government satisfied that the rules referred to by the Honourable Member were adhered to in the discharge case of one Mr. M. R. Khosla, a senior chargeman electrician in the Moghulpura shops on the North Western Railway?

(b) Will Government be pleased to state whether in the following rules, viz., (i) Agent, North Western Railway's Circular No. 1-A. of 1930, Circular No. 1, Part A, Organization Manual 1930, (ii) Organization Order No. 2, dated the 19th March, 1927, (iii) State Railway Open Line Code, Vol. II and (iv) Fundamental Rules, it is provided that (i) no Government servant should ordinarily be discharged or dismissed on grounds of inefficiency and otherwise and that (ii) the increments once granted and drawn cannot be withheld or recovered subsequently, but where an employee is so inefficient that he is considered unprofitable for the administration, every effort should, however, be made to avoid hardship and extenuating circumstances? If so, is it not a fact that these rules were not observed in the above mentioned case? If not, why not?

**Mr. P. R. Rau:** (a) Government are not aware that the rules referred to were not observed in Mr. Khosla's case.

(b) I cannot see what bearing these quotations have on the case, but if my Honourable friend wants to pursue the question of their authenticity, I shall be glad if he will quote chapter and verse for them. They appear to have been mutilated, for in the present form, the first seems clearly incorrect and the second is not entirely easy of comprehension.

**Mr. B. Das:** Did the Honourable Member himself examine the case, because this is not the first question in this particular matter? Is the Honourable Member himself satisfied that there is no grievance on the part of the gentleman about whom this question has been put?

**Mr. P. R. Rau:** I have not been able to discover what are the rules that are considered to have been violated in this particular case.

**Mr. Lalchand Navalrai:** In this question the Honourable Member is told that this man was given no charge sheet, and the specific way in which the rules have been broken is mentioned, and I think the Honourable Member must have enquired about it.

**Mr. P. R. Rau:** It appears that my Honourable friend is referring to the next question.

**Mr. Lalchand Navalrai:** I am referring to question No. 1175.

**Mr. P. R. Rau:** The question of the procedure is referred to in the next question, and I shall give a reply in due course.

**DISCHARGE OF ONE MR. M. R. KHOSLA, A CHARGEMAN ELECTRICIAN IN THE MOGHULPURA SHOPS ON THE NORTH WESTERN RAILWAY.**

1176. \***Mr. K. C. Neogy** (on behalf of Sardar Sant Singh): (a) With reference to the reply to my unstarred question No. 27 (e) on the 5th September, 1938, to the effect that Government have no information that the rules are not followed in their entirety on the North Western Railway, are Government aware that Mr. Khosla, a senior chargeman electrician in the Moghulpura shops on the North Western Railway, was not given a chance to clear his position before he was discharged? If not, why not?

(b) Is it a fact that Mr. Khosla was in the first instance put under suspension on the plea of insubordination and after three days the said charge was converted into one of consistent inefficiency by the administration and consequently he was discharged? How do Government justify such change in the charge sheet? Is it provided under any rules to alter the charge sheet against their employees? If so, under what rules?

**Mr. P. R. Rau:** (a) and (b). Far from Mr. Khosla not being given a chance to clear his position, I am informed that he was warned and punished on several occasions before he was finally discharged. The decision to discharge him was within the competence of the Agent of the North Western Railway. His case was moreover examined by the Court of Enquiry who had no recommendations to make in his favour. In the circumstances, Government are not prepared to re-open the question.

**Mr. B. Das:** Will the Honourable Member kindly go through the case and assure us that there is no injustice done to Mr. Khosla?

**Mr. P. R. Rau:** The decision to discharge him, as I have pointed out, was within the competence of the Agent of the North Western Railway, and no appeal lies to the Railway Board in this matter.

**Mr. Lalchand Navalrai:** May I inform the Honourable Member that the man was first of all hauled up for insubordination, then he was told that he was inefficient, and in the end he was thrown out under retrenchment? Should not such a case be enquired into by the Railway Board?

**Mr. P. R. Rau:** It was enquired into by the Court of Enquiry.

**Mr. Lalchand Navalrai:** But I am asking about the Railway Board.

**Mr. P. R. Rau:** No it is within the competence of the Agent of the North Western Railway.

**Mr. Lalchand Navalrai:** But were these allegations before the Court of Enquiry?

**Mr. P. R. Rau:** Mr. Khosla brought his case before the Court of Enquiry and it is to be expected that he would bring before it all the circumstances in his favour.

**Mr. Lalchand Navalrai:** Will the Honourable Member take it from me that these facts that I have specified regarding variances in charges were not placed before the Court of Enquiry?

**Mr. P. R. Rau:** If so, it was Mr. Khosla's fault not to have brought up those points before the Court of Enquiry.

**Mr. B. Das:** May I ask the Honourable Member, as so many Members have taken interest in this particular question, will he himself kindly go over the merits of the case and feel himself satisfied and also satisfy us that justice has been done?

**Mr. P. R. Rau:** Sir, it is impossible for practical reasons to provide that every discharged employee should have a right of appeal to the Railway Board. The Government of India have very carefully considered how to reconcile the demands of justice with practical needs, and they have laid down certain rules for the discharge and dismissal of employees. These provide that every employee who is discharged has a right of appeal to the next higher authority. In this particular case, no appeal lies to the Railway Board, and there are no special reasons to give Mr. Khosla the right of appeal.

**Mr. Lalchand Navalrai:** Men, when they are discharged, are given their gratuity, but this man has not been given his gratuity, and is it not a case that the Railway Board should look into?

**Mr. P. R. Rau:** Whether Mr. Khosla has got his gratuity or not, I am afraid, I am not aware of, but I shall make enquiries on that point.

**Dr. Ziauddin Ahmad:** Is it not a fact that the Government of India and the officers working under them have now devised a new service code under the name of retrenchment? That is, whenever they cannot prove a case against any person and they find it inconvenient to have any enquiry, they simply dismiss the man on the ground of retrenchment. Is it not a fact?

**Mr. P. R. Rau:** No, Sir. I do not think my Honourable friend is correct in his allegations.

**Dr. Ziauddin Ahmad:** I can give the Honourable Member any number of cases not only in this Department, but in other Departments as well.

#### ENTERTAINMENT OF APPEALS BY THE GOVERNMENT OF INDIA AND THE RAILWAY BOARD.

1177. \***Mr. K. G. Neogy** (on behalf of Sardar Sant Singh): Is it a fact that under the spirit of paragraph 298—4 of State Railway Open Line Code, Volume II, and Labour Member's speech made on the 2nd March, 1932, in this House individual appeals should be entertained and recorded by the Government of India and the Railway Board with a view to administer justice?

**Mr. P. R. Rau:** The present rules on the subject are contained in the Rules regulating the discharge and dismissal of State Railway non-Gazetted Government Servants, a copy of which is in the Library.

## INDIAN LAC RESEARCH INSTITUTE.

1178. \***Mr. K. C. Neogy:** With reference to the Honourable Sir George Rainy's speech, dated the 18th February, 1930, in this House, will Government be pleased to state :

- (a) what special steps have been taken since the passing of the Indian Lac Cess Act, 1930, to carry the results of the Indian Lac Research home to the cultivator;
- (b) what improvements have been secured in the method of the cultivation and in the standardisation of lac; and
- (c) what valuable results have been obtained since the administration of lac cess was taken over by the Indian Lac Cess Committee?

**Mr. G. S. Bajpai:** (a) A Practical Manual of Lac Cultivation was issued by the Lac Research Institute in June, 1931. A leaflet on "Simple methods of controlling the insect enemies of lac" was prepared by the Entomologist of the Institute and was published by the Agricultural Department of Bihar and Orissa in 1932. A leaflet was also issued in Hindi and Oriya. Samples of lac and of soils and insects are examined and reported on free at the Institute.

(b) The information desired by the Honourable Member will be found in the publications of the Institute, a list of which is laid on the table.

(c) A statement of investigations during 1932-33 and 1933-34 is laid on the table. The Special Lac Investigation Officer appointed in the United Kingdom has obtained a great deal of information about the technical requirements of the various lac consuming industries, which he has passed on to the Lac Research Institute. During the current year the Indian Lac Cess Committee has deputed three Indian research officers to England for work on lac technology with the object of extending the uses for Indian lac.

*List of publications of the Lac Research Institute containing the information asked for in part (b).*

1. A Practical Manual of lac cultivation.
2. Bulletin No. 5—Humidity and storage of button lac (1932).
3. Bulletin No. 7—Orpiment and the iodine value of shellac (1932).
4. Bulletin No. 8—The iodine value of shellac (1932).
5. Bulletin No. 10—The influence of orpiment in shellac on the protective properties of the varnish (1932).
6. Bulletin No. 13—Orpiment in shellac (1933).
7. Bulletin No. 15—Notes on the use of *kusum* in lac cultivation, pruning and cropping. (1933).

## INDIAN LAC RESEARCH INSTITUTE.

## Entomological Department.

Title.	Objective.	Research work in hand.	Remarks.
Cultivation .	<ul style="list-style-type: none"> <li>Improvement in the Methods of propagation of trees used in lac cultivation.</li> <li>Investigation of the optimum pruning period of lac host trees.</li> <li>Suitability of various trees as hosts for <i>L. lacca</i> (lac).</li> <li>Resistance of these trees to attack by pests. Investigation of the lac produced on the different trees from an entomological point of view.</li> <li>Trees include <i>Butea frondosa</i>, <i>Zizyphus Jujuba</i>, <i>Z. Xylopyra</i>, <i>Schleichera trijuga</i>, <i>Acacia Catechu</i>, <i>Ficus sps.</i>, etc.</li> <li>Methods of infection of host trees.</li> </ul>		Much of this work is well advanced and results have been published.
The lac insect	<ul style="list-style-type: none"> <li>The investigation of the Bionomics, life history, morphology and physiology of the lac insect, with the object of improving cultural practice, and maintenance of healthy, efficient resin producing strains.</li> <li>Life History of <i>L. lacca</i></li> <li>Investigation of the mortality, resistance to attack by insect enemies, fertility and production of a valuable crop by <i>L. lacca</i> grown on various hosts and alternations of host.</li> <li>Methods of forecasting emergence of nymphs.</li> <li>Effect of temperature and humidity on oviposition, incubation and emergence and on the resulting crop.</li> <li>Farthenogenesis.</li> <li>Selection of efficient and resistant strains.</li> <li>General bionomics of <i>L. lacca</i>.</li> <li>Morphology of <i>L. lacca</i>.</li> </ul>	<p>Completed.</p> <p>Partly completed.</p> <p>Completed.</p> <p>Completed.</p> <p>Completed. Published.</p>	
Insect enemies of lac.	<p>The investigation of insect enemies of lac with the object of estimating their damage, and controlling them.</p> <p>Includes—</p> <ol style="list-style-type: none"> <li>1. <i>Eublemma amabilis</i></li> <li>2. <i>Eublemma scitula</i></li> <li>3. <i>Holcocera pulvrea</i> .</li> <li>4. <i>Pyroderces falcatella</i>.</li> <li>5. <i>Chrysopa sp.</i></li> <li>6. <i>Ephestia sp.</i></li> </ol>	<p>Completed, but still under review.</p> <p>Published.</p> <p>Nearly completed.</p>	

## INDIAN LAC RESEARCH INSTITUTE—contd.

## Entomological Department—contd.

Title.	Objective.	Research work in hand.	Remarks.
Insect enemies of lac.	The investigation of insect enemies of lac with the object of estimating their damage and controlling them.	<p>Investigation of the Life Histories, bionomics, morphology, etc., of the parasite enemies of <i>L. lacca</i>. Includes—</p> <ol style="list-style-type: none"> <li>1. <i>Tetrastichus purpureus</i>.</li> <li>2. <i>Coccophagus tschirchii</i>.</li> <li>3. <i>Tachardiaeaphagus tachardiae</i>.</li> <li>4. <i>Perisopterus sp.</i></li> <li>5. <i>Brasema annulicardis</i>.</li> <li>6. <i>Capidosoma clavicornis</i>.</li> <li>7. <i>Miscellaneous Encyrtids, etc.</i></li> </ol>	
Control	Control of Insect enemies of lac by artificial or biological methods.	<p>Artificial control methods. Cultural methods. Fumigation. Immersion.</p> <p>Biological control methods. Investigation of the life histories, bionomics, morphology, etc., of parasites of lac predators and hyper-parasites of lac parasites with a view to their use as controls of lac enemies on an economic scale.</p> <p>Includes—</p> <ol style="list-style-type: none"> <li>1. <i>Microbracon tachardiae</i>. Partly completed.</li> <li>2. <i>Pristomerus testaceicollis</i>.</li> <li>3. <i>Brachymeria tachardiae</i>.</li> <li>4. <i>Elasmus claripennis</i>.</li> <li>5. <i>Apanteles tachardiae</i>.</li> <li>6. <i>Bethylid sp.</i></li> <li>7. <i>Aphrasobracon flavipennis</i>.</li> <li>8. <i>Eurytoma palidiscapus</i>.</li> <li>9. <i>Apanteles fakrulhajiae</i>.</li> <li>10. <i>Tetrastichus purpureus</i>.</li> </ol>	Preliminary results have been published.

## INDIAN LAC RESEARCH INSTITUTE—contd.

## Entomological Department—contd.

Title.	Objective.	Research work in hand.	Remarks.
Other insects associated with lac.	Investigation of the beneficial or detrimental effects of other insects associated with lac.	Formicidae, Ants Coleoptera.	Completed.
Enemies of host trees.	Control of insect damage.	Investigation of the life histories, bionomics, morphology, etc., of insects damaging lac host trees; includes—	
		<ol style="list-style-type: none"> <li>1. <i>Aspidiotus orientalis</i> Partly completed.</li> <li>2. <i>Isoptera</i>.</li> <li>3. <i>Machærota planitiae</i>.</li> <li>4. <i>Semiothesa fidoniata</i>.</li> <li>5. <i>Licacodidae</i>.</li> </ol>	
Other activities	Practical aid to the cultivator.	Forecast of date of swarming of lac nymphs. Drawing up working schemes.	As required. On request.
		Reporting on lac samples and identification of insect enemies of lac or host trees.	On request.
		Inspection of lac growing areas.	Where possible.
		General advice as to cultivation, control of enemies, and efficient practice is supplied.	

The 22nd June 1933.

P. M. GLOVER,  
Entomologist.

## INDIAN LAC RESEARCH INSTITUTE.

*Chemical Department.*

Investigations during 1932-33—1933-34.

Title.	Objective.	Work in hand.	Remarks.
1. Cultivation of lac.	Determination of the effect of various fertilisers, single and in combination, on the growth of lac hosts and on the yield and quality of lac obtained.	Permanent manurials— Inspection every season and determination of yield of lac, mortality of brood, sex ratio, extent of parasitisation, etc.	In progress.
		Trials with various methods of pruning the lac host.	Completed and results being published.
	Pruning experiments on Kusum to shorten the period of recovery.	Interesting results obtained, work in progress.	
	Obtaining authentic data concerning yields.	Determination of the dryage of brood and stick lacs of various kinds.	In progress.
		Determination of the ratio of brood used for infection to brood obtained from various lac hosts.	In progress.
	Determination of the effect of injecting inorganic salts on sap reaction and lac producing capacity of plants.	Injection of different kinds of plants with various chemicals and infection with brood lac.	Promising preliminary results obtained. Work in progress.
	Testing the possibility of cultivating Tung oil in India.	Cultivation trials with Aleurites Fordii and Aleurites montana, making observations on germination, manorial requirements, time of sowing and transplanting, yield of fruit, etc., including the pressing and analysis of the oil obtained.	Cultivation found successful. Report on quality of oil quite satisfactory. Results have already been published.

INDIAN LAC RESEARCH INSTITUTE—*contd.**Chemical Department—contd.*Investigations during 1932-33—1933-34—*contd.*

Title.	Objective.	Works in hand.	Remarks.
Manufacture marketing of shellac.	Standardisation of shellac grades.	A study of the physical and chemical constants of various kinds of stick lacs and observations on the properties of the films obtained therefrom.	Work completed. Results ready for publication.
		Preparation and analysis of shellacs of known origin and history, testing variations of host, season, state of maturity, etc. on the yield and constants of shellac.	The scope of the work has been extended by sending out a large number of shellacs of different kinds to various research organisations for further tests as to their suitability in certain important industries.
	Determination of the effect of certain methods of manufacture on the yield and quality of seed lac and shellac.	Washing lac with hard and soft waters. Washing lac with water containing various chemicals. Washing lac by manual and mechanical methods. Repeated melting of good and poor quality lacs.	
	Determination of the causes of cracking of button lac and possible remedies.	Testing the effect of atmospheric conditions on the preservation of button lac.	Completed and results published. Further work on causes in progress.
	Tests on the effect of storage on the quality of shellac.	Analysis of fresh and stored stick lacs, seed lacs and shellacs of different kinds.	
	Testing the effect of age on the fluidity of shellac.	Monthly determinations of the fluidity of a few samples of shellac.	
	Finding a suitable method of storing shellac to prevent blocking.	Determination of the specific heats of some types of shellac.	

## INDIAN LAC RESEARCH INSTITUTE—contd.

## Chemical Department—contd.

Investigations during 1932-33—1933-34—concl'd.

Objective.	Work in hand.	Remarks.
Utilisation of by-products.	Experiments on the possibilities of washing and bleaching Kiri. Analysis and practical trials of the use of Pathi as manure. Moulding tests on Kiri and Pathi.	In progress.
Study of the bleaching of lac.	Testing the effect of various impurities on the bleachability of lac.	In progress.
Preparation and properties of bleached lac.	(a) Study of the Chemical and electrolytic methods of bleaching.  (b) Study of the keeping quality of bleached lac.  (c) Study of the bleachability of various kinds of seed lacs and shellacs.  (d) Study of the properties of hard-bleached natural and dewaxed bleached lacs.  (e) Study of esterification in stored bleached lacs.  (f) Study of the effect of the presence of shellac soaps and acid precipitants on the properties of the bleached lac film.	
Study of the effect of adding orpiment during the manufacture of shellac on the properties of the resulting shellac.	Tests have been made on the effect of excess of orpiment on the iodine value, bleachability, varnishing qualities, etc., of shellac.	Three papers have been published.
Devising a suitable method of finding out the fluidity and therefore, the age of seed lacs.	Determination of the fluidity of shellac and the viscosity and solvent power of corresponding seed lac solutions.	In progress.
Effect of age on the fluidity of shellac.	Monthly determinations of fluidity of shellacs.	

INDIAN LAC RESEARCH INSTITUTE—*contd.*Chemical Department—*contd.*Investigations during 1932-33—1933-34—*contd.*

Objective.	Work in hand.	Remarks.
Improvements in the methods of shellac analysis.	(a) Testing the possibilities of an easier or more accurate detection of rosin in shellac with chloro-sulphonic acid, fufural, copper, acetate, etc. (b) Tests on various methods of estimating wax in shellac. (c) Application of bi-metallic and alloy electrodes in the determination of acid and saponification values of shellac. (d) Development of a method for the automatic titration of shellac solutions. (e) Tests on the methods of estimating the colour of shellac solutions. (f) Determination of moisture by measurement of dielectric constant of shellac.	In progress; work partly completed. In progress. One paper being published and further work being continued.
Studies in the heat polymerisation and moulding properties of shellac.	(a) A study of the nature of polymerisation of shellac. (b) Determination of the life under heat of different kinds of shellac. (c) Effect of various accelerators on the rates of polymerisation of shellac. (d) Determination of the optimum conditions of time, temperature, fillers, etc., for moulding shellac and bleached lac. (e) Testing the effect of various chemicals as to the acceleration or retardation of the "curing" of shellac. (f) Moulding shellac in presence of various accelerators and testing the moulded products.	In progress. In progress. Work completed and results published. In progress.
Studies of the nature of shellac.	(a) A study of the nature of the two kinds of resin present in shellac. (b) Testing the effect of oxidation of shellac. (c) Testing the effect of the removal of the volatile constituents of shellac. (d) Testing the effect of removing the water soluble constituents of shellac. (e) Preparation on a semi-large scale, studying the individual properties and testing the possibilities of a modification of the ether soluble and ether insoluble resins in shellac. (f) Effect of dry and moist heat on the properties of shellac.	Partly completed. In progress. Being continued and a part ready for publication.

INDIAN LAC RESEARCH INSTITUTE—*concl'd.**Chemical Department*—*concl'd.*Investigations during 1932-33—1933-34—*concl'd.*

Objective.	Work in hand.	Remarks.
Development of a better product for the varnish and plastic industries.	Tests on the possibility of modifying shellac by means of— (a) Glycerine, etc. . . . . (b) Sulphur . . . . .  (c) Metals, (d) Synthetic resins, (e) Chemical gases, e.g., NH <sub>3</sub> , HCl, SO <sub>2</sub> , S <sub>2</sub> Cl <sub>2</sub> , etc. (f) Heat and determination of properties of resultant products.	In progress. Being continued, and one paper will be published shortly.
Improvements in the use and possible extension of application of shellac in industry.	Preparation and testing of— (a) Shellac paints, white and coloured. (b) Shellac coloured lacquers . . . . (c) Shellac water paints and varnishes. (d) Shellac inks . . . . (e) Shellac adhesives . . . . (f) Shellac insulating varnishes . . . . (g) Preparation of wax-free shellac and determination of the properties of wax-free shellac films. (h) Tests on the effect of certain plasticisers on the water absorption and mechanical properties of natural and wax-free shellacs. (i) Determination of the conditions of baking shellac films and testing the properties of baked films. (j) Testing the effect of including accelerators (of 'curing' of shellac) in the varnish, on the properties of the shellac film. (k) Testing coloured spirit varnishes made from shellac and modified shellacs. (l) Development of a photo-electric method of measuring the gloss and transparency of shellac films. (m) Tests on the combination of shellac with drying and non-drying oils at high temperatures and determination of the properties of the oil modified shellacs. (n) Developing and testing shellac nitro-cellulose lacquers for brushing and spraying.	In progress. In progress. In progress. In progress. In progress. In progress. Results published. Partly completed, one paper published. Partly completed, one paper published. In progress. In progress. In progress. In progress. Partly completed and some results published. In progress.

**Mr. K. C. Neogy:** The Honourable gentleman has referred me to different publications. Is he in a position to state affirmatively that substantial improvement has been secured in the method of cultivation and in the standardisation of lac as a result of the activities of this Institute?

**Mr. G. S. Bajpai:** I may inform the Honourable Member that the Institute has made important contributions to the process of cultivation and, to some extent, also to standardisation, but the problem which is engaging their attention now is that of maintaining the market for this commodity both in England and abroad.

**Mr. Gaya Prasad Singh:** What steps have been taken by the Department to communicate to the cultivators the result of their research in this particular direction?

**Mr. G. S. Bajpai:** I have already referred to a leaflet in Hindi and Oriya.

**Mr. K. C. Neogy:** Do I take it that this leaflet constitutes the sole contribution to this very important problem?

**Mr. G. S. Bajpai:** As far as I know, this is the only medium through which publicity has been given in the vernaculars to the cultivator.

**Mr. K. C. Neogy:** May I know how long this Institute has been in existence?

**Mr. G. S. Bajpai:** The Institute has been in existence, Sir, I think, since 1928.

**Mr. K. C. Neogy:** If that constitutes its sole contribution to the practical aspect of the question, so far as the cultivator is concerned, do I take it that its labours have borne sufficient fruit and that the Institute can now be wound up?

**Mr. G. S. Bajpai:** My Honourable friend is not justified in inferring that the vernacular publication constitutes the sole contribution which this Institute or its research workers have made. If he would be kind enough to look at the list of publications which I have mentioned, he will find that a great deal of work has been done.

**Mr. K. C. Neogy:** I was thinking of the contribution which the Institute has been making for the benefit of the cultivator himself. I am not just now concerned with the list of scientific papers.

**Mr. G. S. Bajpai:** My Honourable friend will appreciate that the lac industry is not, as it were, limited, either in its importance or in its practical application, to the process of cultivation. After the cultivation is complete, this thing has to be marketed and utilised for industrial purposes and the problem, on which the Institute is primarily engaged at the present moment, is the utilisation for industry of lac, having regard to outside competition.

**Mr. K. C. Neogy:** Does not the utility of this Institute largely depend upon the extent to which the cultivator utilises the result of this research?

**Mr. G. S. Bajpai:** The cultivator can only utilise that which is applicable to the process of cultivation. I have been trying to make out that it is after the process of cultivation is complete and the commodity has been harvested that problems of industrial utilisation arise and that is what the Institute is at present engaged upon.

**Mr. K. C. Neogy:** Do I take it that so far as the cultivation aspect of the question is concerned, the work has been completed and nothing further remains to be done,

**Mr. G. S. Bajpai:** I would not say that nothing further remains to be done. Considering the comparative importance of the two problems, the conclusion of the Lac Cess Committee is that the problem of industrial utilisation is more pressing at the present moment than the problem of the improvement of the processes of cultivation.

**Mr. B. Das:** Is it not a fact that the last vernacular publication was in 1931 and that was in Bengali and Oriya, and that since then no vernacular publication has been got out?

**Mr. G. S. Bajpai:** I have mentioned that the languages in which the publication was got out were Hindi and Oriya and not Bengali.

**Mr. B. Das:** Was it not done in 1931?

**Mr. G. S. Bajpai:** My Honourable friend has correctly reproduced the information which I gave just now.

**Mr. B. Das:** Nothing has been done since then?

**Mr. G. S. Bajpai:** I have tried to explain that since 1931 or rather, in recent years the question of the industrial utilisation of lac has been engaging the attention of the Institute more than cultivation.

**Mr. B. Das:** Does it mean in the Honourable Member's opinion that the lac cess duty was levied to help the capitalist or the industrialist section and not to help the agriculturist?

**Mr. G. S. Bajpai:** My friend has completely misunderstood the position. If the industrialist or capitalist section did not make use of Indian lac, then the cultivator would be nowhere.

**Mr. K. C. Neogy:** May I know as to when approximately is it expected that the Institute will once again divert its attention from industrial utilisation to the improvement in cultivation?

**Mr. G. S. Bajpai:** I should say as soon as the problem of industrial utilisation has been satisfactorily solved. I shall try to get precise information on that point from the Institute.

**SCIENTIFIC QUALIFICATIONS AND SALARIES OF CERTAIN OFFICERS OF THE INDIAN LAC RESEARCH INSTITUTE.**

**1179. \*Mr. K. C. Neogy:** What are the respective scientific qualifications and salaries of :

- (i) the Biochemist and Director, Indian Lac Research Institute;
- (ii) the Entomologist of the Institute;
- (iii) the Physico-Chemist of the Institute;
- (iv) the First Assistant to each of them?

**Mr. G. S. Bajpai:** A statement containing the information is laid on the table.

*Statement to be laid on the table with reference to the answer to Mr. K. C. Neogy's question No. 1179.*

Post.	Qualifications of present incumbent.	Salary.
Bio-Chemist and Director	B.Sc. (Honours in Chemistry), (Manchester); M.Sc. (Manchester); Associate of the Institute of Chemistry (England).	Rs. Pay . . . 1,700 Entertain- ment allow- ance . . 100 Motor car allowance . . 50
Entomologist . . .	B.Sc. (Honours in Zoology), Leeds . .	850
Physical Chemist . . .	B.Sc. (Honours in Chemistry), (London); Ph.D. (London); Associate of the Royal College of Science (England); Diploma of the Imperial College of Science (South Kensington).	800
First Assistant Bio-Chemist	M.Sc. (with distinction and gold medal), (Bombay); Associate, Indian Institute of Science.	280
Assistant Entomologist .	M.Sc. (Benares Hindu University) . .	220
First Assistant Physical Chemist.	B. A. (Mysore University), Associate, Indian Institute of Science.	290

**Mr. K. C. Neogy:** In giving the House a list of the scientific qualifications of these various officers, has any distinction been made between the qualifications which are of an academic character and the array of alphabets which stands for membership of scientific bodies, which membership is kept up by subscriptions paid out of the funds of the lac Research Committee?

**Mr. G. S. Bajpai:** The statement merely furnishes recognised scientific degrees.

**Mr. B. Dás:** Is it a fact that Government are helping the cause of women by appointing a woman as the scientist in this particular Institute?

**Mr. G. S. Bajpai:** My Honourable friend does not seem to appreciate the fact that the appointments are not made by Government, but by the Lac Cess Committee.

**Mr. B. Das:** Is the Honourable Member aware that there is a lady engaged as a scientist in this particular Institute?

**Mr. G. S. Bajpai:** I understand that a lady, Dr. Norris, is the head of the Institute.

**Dr. Ziauddin Ahmad:** Is the Honourable Member aware that the qualification cannot be judged by the membership of a learned body which very often can be obtained by paying certain subscriptions, but by academic distinctions given by recognised universities?

**Mr. G. S. Bajpai:** My Honourable friend, Mr. Neogy, has a question later on as to what practical research experience some of these officers have, and I will answer it later. I told Mr. Neogy that the statement of the qualifications which I have laid on the table does not refer to membership of learned societies, but only to degrees.

**Mr. K. C. Neogy:** May I know if the officers or any of them is in receipt of an entertainment allowance apart from salary?

**Mr. G. S. Bajpai:** My Honourable friend will find the information in the statement which I have given. The Director of the Institute is in receipt of an entertainment allowance.

**Mr. K. C. Neogy:** With what object is that allowance granted?

**Mr. G. S. Bajpai:** For the purpose of entertaining guests.

**Mr. K. C. Neogy:** Has the Honourable Member inquired how many guests this lady has got to entertain annually and what her expenses are?

**Mr. G. S. Bajpai:** I confess that I have not scrutinised the lady's budget, but I have no doubt that the Committee considered this point at the time the grant was made.

**Mr. K. C. Neogy:** What are the reasons why a peculiar allowance of this character was granted to the head of this Institute?

**Mr. G. S. Bajpai:** I presume, because the place where the Institute is situated is an out of the way place and visitors have got to be accommodated by the Director. There is no hotel or dak bungalow where they can make arrangements for themselves.

**Dr. Ziauddin Ahmad:** Is this only a benevolent allowance or will they extend this principle to other servants of Government, including the Members of the Legislative Assembly?

**Mr. G. S. Bajpai:** I am surprised that my Honourable friend should have suggested that non-official Members of the Legislative Assembly are servants of Government.

**Mr. K. C. Neogy:** May I take it that officers occupying a comparable position in the Departments of Government, living in circumstances in which this lady is, are also in receipt of similar entertainment allowances?

**Mr. G. S. Bajpai:** I could not say offhand. I should like to have notice of that question.

**Mr. B. Das:** Will the Honourable Member kindly recommend to the Government that Executive Councillors and also the different experts of Government in the Honourable Member's Department should get some sumptuary allowances so that they can entertain?

**Mr. G. S. Bajpai:** So far as the Honourable Members of Council are concerned, they are competent to look after themselves. As regards technical experts, when they do make an application, the matter will be considered.

**Mr. Gaya Prasad Singh:** Is it not a fact that the headquarters of the Lac Research Committee is very near Ranchi, which is the Summer Capital of the Bihar and Orissa Government?

**Mr. G. S. Bajpai:** It is at a place called Namkum near Ranchi, but it does not necessarily mean that the same facilities exist at Namkum as are available at Ranchi.

**Mr. Gaya Prasad Singh:** What is the distance of this place from the Ranchi town?

**Mr. G. S. Bajpai:** There I should have to yield to the superior local knowledge of Mr. Gaya Prasad Singh.

**Mr. Gaya Prasad Singh:** Will the Honourable Member take it from me that it is not more than three or four miles from the Ranchi town itself, so far as my information goes.

**Mr. G. S. Bajpai:** I am very glad to have that information, Sir.

**Mr. K. C. Neogy:** If the Honourable Member accepts that information from Mr. Gaya Prasad Singh and takes it to be correct, may I inquire as to whether he is prepared to send down an enquiry on the point just to find out what special necessity there is for this entertainment allowance, having regard to the fact that there are about three good hotels in Ranchi?

**Mr. G. S. Bajpai:** Certainly I should be prepared to make the inquiry.

**Sir Cowasji Jehangir:** Did the last Retrenchment Committee consider this question?

**Mr. G. S. Bajpai:** No, Sir, because these officers are not the employees of Government, but of the Lac Cess Committee which has its own resources.

**Mr. Gaya Prasad Singh:** Is it not a fact that the proceeds of this lac cess have been obtained as the result of the taxation of the people?

**Mr. G. S. Bajpai:** The interests concerned themselves wished that the lac cess should be imposed, and it is imposed under an Act of this Legislature.

**Mr. K. C. Neogy:** Is it not a fact also that the Government of India have got ample control over the transactions of the Lac Cess Committee as provided in the Lac Cess Act itself, in regard to finance and other things?

**Mr. G. S. Bajpai:** The Government of India undoubtedly have control over them, and I was going to say with regard to the question of the entertainment allowance which has been raised that the engagement of the Director is due to terminate in 1934 and I undertake to invite the Committee to consider the desirability of continuing this allowance after that.

**Mr. B. R. Puri:** What is the amount of the allowance?

**Mr. G. S. Bajpai:** Rs. 100 a month. I am speaking from memory.

**Mr. B. Das:** Besides a motor-car allowance of Rs. 50?

**Mr. G. S. Bajpai:** I have already laid a statement showing the information available as regards the allowances and other things. If the Honourable Member wishes me to recite it, I shall be ready to do so.

#### WORK DONE BY THE BIOCHEMIST IN THE INDIAN LAC RESEARCH INSTITUTE

1180. \***Mr. K. C. Neogy:** (a) Is it a fact that practically little or no biochemical work is being done by the Biochemist in the Indian Lac Research Institute and that all or most of the Biochemical Assistants are employed in the Physico-chemical section?

(b) Had the Entomologist and the Physico-chemist any previous research experience before their appointment in the Institute and if so, to what extent?

(c) Taking into account the research experience and academic degrees, are the qualifications of the European staff superior to those of the Indian staff, and, if so, in what way?

**Mr. G. S. Bajpai:** (a) No. Bio-chemical work on lac and lac hosts is continuing. Owing, however, to the fall in the price of lac and competition of synthetic products, special attention is being given to problems of immediate importance to the lac industry and the experimental work directed to increasing the use of natural lac in modern industry.

(b) The Entomologist had about 18 months' research experience at the University of Leeds. The Physical Chemist possessed two years' research experience in physical chemistry at the Royal College of Science, London, and was attached to the research department of the General Electric Company, England, for a short period.

(c) A statement showing the qualifications of the various officers has already been laid on the table.

**Mr. B. Das:** With reference to part (b) of the question, were there no Indians available with the experiences which have been described by the Honourable Member just now?

**Mr. G. S. Bajpai:** I am afraid I am not aware of the details of the procedure adopted by the Committee in making this appointment which was made some years ago. I can get it if my Honourable friend wishes it.

**Mr. K. C. Neogy:** Is it not a fact that the Director herself was a bacteriologist before she was appointed to this appointment and that she had little or no practical experience of biochemistry,—at any rate she did not make any considerable research work in biochemistry before she was appointed?

**Mr. G. S. Bajpai:** That, Sir, is not my information.

#### EXPIRY OF CONTRACTS WITH THE BIOCHEMIST, THE ENTOMOLOGIST AND THE PHYSICO-CHEMIST OF THE INDIAN LAC RESEARCH INSTITUTE.

1181. \***Mr. K. C. Neogy:** When are the present contracts with the Biochemist, the Entomologist and the Physico-chemist of the Indian Lac Research Institute due to expire? Is it intended to advertise these posts before making appointments for the next term, and ascertain if Indians with equal or better qualifications, but willing to accept less pay, are available for these posts?

**Mr. G. S. Bajpai:** Bio-Chemist—31st December, 1934.

Entomologist—26th July, 1935.

Physical Chemist—17th February, 1936.

Under the rules made under the Indian Lac Cess Act appointments to these posts are made by the Indian Lac Cess Committee subject to the sanction of the Governor General in Council. The Honourable Member's suggestion will be brought to the notice of the Committee.

**Mr. B. Das:** When appointments are made, do they not come up for the approval of the Governor General in Council?

**Mr. G. S. Bajpai:** I have already stated that the appointments are subject to the approval of the Governor General in Council.

**Mr. B. Das:** Does the Honourable Member appreciate the feeling of the country and of the House that such appointments should be filled up by Indians and their feeling when they find that they are not filled up by Indians?

**Mr. G. S. Bajpai:** Sir, the Government and the Department, for which I have the honour to speak at the present moment, fully realise the strength of Indian feeling as regards Indianisation; and all I can say is that the Committee, when they next meet to consider the question, will have this matter before them.

**Mr. B. Das:** Will the Honourable Member agree with me that the Lac Cess Committee in the past failed to exercise a proper judgment in not appointing Indians?

**Mr. G. S. Bajpai:** I should prefer, Sir, to concentrate more on the future than on the past.

**Mr. Gaya Prasad Singh:** Were these appointments made privately, without the posts being advertised in a regular way?

**Mr. G. S. Bajpai:** As I have already stated, I am not in a position to state exactly what procedure was followed in making these appointments. One was made in 1923 and another in 1924—several years ago.

**Mr. Jagan Nath Aggarwal:** May I know what the composition of this Committee is?

**Mr. G. S. Bajpai:** Certainly. It is given here in the Indian Lac Cess Act (XXIV of 1930):

The Vice-Chairman of the Imperial Council of Agricultural Research,  
 The Inspector-General of Forests,  
 The Forest Entomologist, Dehra Dun,  
 The Imperial Entomologist,  
 The Conservator of Forests, Bihar and Orissa,  
 The Director of Agriculture, Bihar and Orissa,  
 The Director of the Lac Research Institute, Nankum—the only official of the Institute,  
 Three persons representing the shellac manufacturing industry,  
 One representative of the shellac export trade nominated by the Bengal Chamber of Commerce,  
 One representative of the brokers of lac and shellac in Calcutta nominated by the Calcutta Shellac Brokers' Association, and  
 Five persons representing the lac cultivators' interests in Bengal, Bihar and Orissa, the United Provinces, the Central Provinces and Assam, one to be nominated by each of the Local Governments of those provinces.

**Mr. K. C. Neogy:** Does the Committee consist of seven *ex-officio* members, five non-official European members and five non-official Indian members, and are the Indian members thus in a perpetual minority?

**Mr. G. S. Bajpai:** If the figures which my Honourable friend has given are correct, then *prima facie* the Indians are five and the non-Indians are more than five.

**Mr. K. C. Neogy:** Will the Honourable Member make an inquiry into this matter?

**Mr. G. S. Bajpai:** Certainly, Sir.

**Mr. G. Morgan:** Has any change been recently made in the composition of the Committee since 1930?

**Mr. G. S. Bajpai:** No, Sir, but a Bill on that subject is already on the table of the House.

**LEAVE AND PENSION OF MILITARY EMPLOYEES INVALIDED DURING THE GREAT WAR.**

1182. \***Rai Bahadur Kunwar Raghubir Singh:** (a) With reference to the question No. 592 answered by the Army Secretary on the 4th September, 1933, in this House, will Government be pleased to state what relative ranks will be assigned to two individuals whose pay on field service in 1914-16 was Rs. 70 per mensem but both of whom retired on Rs. 215 and Rs. 285 per mensem, respectively, in 1930?

(b) Is it a fact that combatants as well as non-combatants retiring on account of field service disability or disease are exempt from the operation of three years average of their salaries?

(c) Will Government be pleased to state if their last rank or pay is only to be taken for their average salary irrespective of the fact whether they have served or not for three years in their last rank or grade agreeably to Army Instruction India, No. B.-77, dated 17th September, 1928?

**Mr. G. R. F. Tottenham:** (a) In both the cases the relative rank of Sub-Conductor would be assigned for the assessment of disability pension.

(b) and (c). The pension of Indian combatants invalided from the service on account of a disability attributable to military service, is based on rank and the average of three years' pay does not apply. Similarly the disability pension inclusive of the service element of non-combatants governed by the Pension Regulations, is based on the corresponding combatant rank. The service pension of non-combatants governed by the Civil Service Regulations is, however, assessed on the average emoluments of the last three years and the disability addition is based on the corresponding military rank, which is determined by the pay last drawn.

**DUTIES OF THE DIVISIONAL PERSONNEL OFFICERS ON THE NORTH WESTERN RAILWAY.**

1183. \***Mr. Lalchand Navalrai:** (a) With reference to my starred question No. 1000, asked on the 18th September, 1933, regarding the duties of the Divisional Personnel Officers on the North Western Railway, will Government be pleased to state whether the Agent, North Western Railway, to whom papers in connection with the question were sent, has made any enquiry with regard to them? If so, was the enquiry personal or otherwise?

(b) Has the Agent, North Western Railway, satisfied himself as to whether all the business has been transferred to the Divisional Personnel Officer, North Western Railway, Karachi by the Divisional Superintendent? If not, upto what limit has the work pertaining to establishment been transferred solely to the Divisional Personnel Officer and upto what limit has it been retained to be done by the Divisional Superintendent himself?

(c) What has the Agent, North Western Railway, done with regard to the representation made by the North Western Railway Karachi Divisional Office clerks referred to in the starred question No. 1000, dated the 18th September, 1933, and what relief has been given to them?

**Mr. P. E. Rau:** Government did not ask for a report on the points mentioned. These are matters of detail which the Agent is, under existing rules, competent to deal with, and it is unnecessary for Government to intervene.

**Mr. Lalchand Navalrai:** May I know, when a Member inquires if a particular matter has been investigated by the Agent or not, whether Government should not get this information for the Member?

**Mr. P. R. Rau:** Sir, I have explained on the floor of this House that the Railway Department must deal with questions from a practical point of view, and until they know what useful purpose will be served by making any proposed inquiries, they are very reluctant to go to the expense of collecting the information asked for.

**Mr. Lalchand Navalrai:** Here, Sir, was a question whether the Karachi Divisional Personnel Officer had done certain things or not, and then the papers were sent to the Agent. Now the question is, whether, after receiving those papers, the Agent took any steps or not?

**Mr. P. R. Rau:** Sir, Government are quite confident that the Agent has already taken all the steps necessary in the matter.

**Mr. Lalchand Navalrai:** The point is whether the Agent has done it personally or otherwise.

**Mr. P. R. Rau:** Government must leave it to the Agent to decide in these matters whether any question is of sufficient importance to require his personal attention.

**Mr. Lalchand Navalrai:** I did not mean to suggest that the Agent should be asked to do a particular thing in a particular manner, but what I am asking is, if we raise any question here and the papers are sent to the Agent, are we not entitled to know what he has done in the matter as a piece of information?

**Mr. P. R. Rau:** Sir, these are matters in which the Government of India have delegated full powers to the Agents and they do not wish to inquire into these minor matters and interfere with the discretion of Agents.

**Sir Cowasji Jehangir:** Does the Honourable Member mean to say that when Government have delegated any of their powers to any of their officers, they cease to be responsible to this House?

**Mr. P. R. Rau:** No, Sir. But to discharge their responsibility to this House, they must really devote themselves to the more important matters; and if they try to concern themselves with very minor things, then the more important ones will go by the Board.

**Sir Cowasji Jehangir:** That is not the question. The question I asked was that, if Government delegate any of their powers to any of their officers, do they cease to be responsible to this House?

**Mr. P. R. Rau:** Not at all.

**Sir Cowasji Jehangir:** Then, if any Member chooses to ask a question to the Government about a matter on which they have delegated their powers to one of their officers, are Government bound to answer that question or not?

**The Honourable Sir Joseph Bhore:** I think there is no desire in any way to limit the rights or privileges of this House, but I think Government may call on the good sense of Honourable Members when they are putting these questions not to descend to such matters of detail as would make it impossible for Government when dealing with a Department of the magnitude of the Railways of India to go into these things themselves.

**Sir Cowasji Jehangir:** Then the Honourable Member's answer is that it is not worth while for the Government to answer a question the cost of which is not commensurate with the value of the question asked. That would be the answer.

**The Honourable Sir Joseph Bhore:** I do not think we have definitely ever refused to answer a question, and I have no doubt that if my Honourable friend and the House insist upon asking a question, we shall certainly do our best to obtain information. But I must leave it to the good sense of this House not to put questions on such matters of minor detail as would make the administration almost impossible if we had to go into them here.

**Mr. Lalchand Navalrai:** May I make it quite clear that my question formerly was not of a minor nature at all. Then the papers were sent to the Agent. Now, what I want to know from Government is this: Should I come to this House to get certain information, or go on bended knees to the Agent and ask him for the information? He may not give me any answer. I would like this position to be made clear, because it is very often that papers are sent to the Agent. I should like to know how are we to get any further information? Should we address the Agent or come to this House? I must be given an answer to this question.

**The Honourable Sir Joseph Bhore:** As I have just now said, it must be plain to all the Members of this House that questions are asked in connection with the Railway Department which deal with extremely minute details, and I would leave it to the House to consider whether it is possible for us to get on with the administration of the railways if we are to inquire into every minor detail which normally has to be carried out by the administrations of the various railways concerned. On any matter of major importance, we shall certainly do what we can to meet the Honourable gentleman's requisitions for information.

**Mr. Lalchand Navalrai:** I am sorry that the Honourable Member does not know what the original question was. The question related to arrogating the powers by a Personal Assistant to a Divisional Superintendent. That is certainly a question of importance. The question was whether the Personal Assistant should be able to do everything and the Divisional Superintendent should leave everything to him. Instances were given and the papers were forwarded to the Agent, and now I have been refused even the answer whether the Agent has inquired into that subject or not.

**The Honourable Sir Joseph Bhore:** I do not know what answer my Honourable friend desires from us.

**Mr. Lalchand Navalrai:** I would like to know whether the Agent has made any inquiry into that officer's conduct and found out whether he

has arrogated to himself the powers completely or not. I would like to know up to what limit he has got the powers and how is it that he has taken up even the duties of the Divisional Superintendent to himself. That is a very important question.

**The Honourable Sir Joseph Bhore:** If it will satisfy my Honourable friend, I shall certainly inquire whether the Agent has made an inquiry or not.

**Mr. Lalchand Navalrai:** Thank you very much. That should have been the answer at the very beginning.

### UNSTARRED QUESTIONS AND ANSWERS.

#### APPOINTMENT OF APPRENTICES IN THE PRODUCTION DEPARTMENT OF THE LILLOOAH WORKSHOPS.

**213. Mr. S. C. Mitra:** (a) Are Government aware that the answer given in reply to my starred question No. 920 (d) of the 7th November, 1932, is not correct, and it is not a fact that the ex-apprentice of 1930 who worked in the Production and Progress Section of the Lilooah Workshops, East Indian Railway (stated by the Government in reply to my starred question No. 922 (a) of the 7th November, 1932), was offered a post by the Controller of Inspection, Calcutta Circle, Indian Stores Department? Is it a fact that he was the first apprentice to work in that Section?

(b) If the answer to part (a) above be in the affirmative, will Government be pleased to state why they have not acted in accordance with the procedure laid down in the middle portion of the answer to the starred question No. 472 (a) of the 5th March, 1930, by appointing the ex-apprentice of 1930, who had prior claims and who passed in the First Division and who was the first apprentice to work in that Section (stated by Government in reply to my starred question No. 922 (a) of the 7th November, 1932)?

(c) Will Government be pleased to state the reasons for appointing the junior ex-apprentice of 1931, who passed in the Second Division in preference to the ex-apprentice of 1930? Is it not a fact that it has been stated by Government in reply to my starred question No. 920 (c) of the 7th November, 1932, that some mechanics who had no training in that Section previously at all were transferred there (in the Production and Progress Section)?

(d) Do Government propose to consider his (ex-apprentice of 1930 referred to in part (a) above) case, and appoint him when the next vacancy occurs in the Workshop, and issue orders to the officer concerned to this effect? If not, why not?

(e) If the answer to part (a) above be in the negative, are Government prepared to make an enquiry into the whole affair and take necessary steps? If so, when and in what way? If not, why not?

**Mr. P. R. Rau:** I have called for certain information and will lay a reply on the table in due course.

**APPOINTMENT OF EX-APPRENTICES ON THE EAST INDIAN RAILWAY.**

**214. Mr. S. C. Mitra:** Will Government be pleased to lay on the table a statement showing the names of the two ex-apprentices who were engaged in the Stores Department of the East Indian Railway as referred to in the answer to my unstarred question No. 20 (g) of the 5th September, 1932? If not, why not?

**Mr. P. R. Rau:** I have called for certain information and will lay a reply on the table in due course.

**APPOINTMENT OF EX-APPRENTICES ON THE EAST INDIAN RAILWAY.**

**215. Mr. S. C. Mitra:** (a) Will Government be pleased to state the reasons (i) for appointing one Anglo-Indian in saw mills who had no mechanical training at all as stated by Government in reply to my unstarred question No. 27 (b) of the 5th September, 1932, and (ii) for appointing those Kiln Operators (those who were appointed from outside) in shops, after the abolition of Kiln Operations, who had no training except timber seasoning (as stated by Government in reply to my starred question No. 924 of the 7th November, 1932)? Do Government propose to take steps to replace all of them by their ex-apprentices and put a stop to such practice in all future cases? If not, why not?

(b) Do Government propose to transfer, in the case of future vacancies, suitable mechanics from other shops or sections and appoint ex-apprentices from the waiting list according to seniority and the division they passed from Technical School, instead of appointing outsiders? If not, why not?

**Mr. P. R. Rau:** I have called for certain information and will lay a reply on the table in due course.

**PROPOSAL FOR CLOSING DOWN THE GOVERNMENT OF INDIA BOOK DEPOT AT CALCUTTA.**

**216. Mr. S. C. Mitra:** (a) Will the Honourable Member in Charge of the Department of Industries and Labour please state if it is a fact that a proposal has been received by the Department of Industries and Labour from the Bengal Government to close down the Central Government Book Depot at Calcutta and expressing a desire to act as agent for sale of Government of India publications?

(b) What are the actual terms of conditions sponsored by the Local Government in this connection?

(c) Are Government aware that the proposal of the Local Government is the outcome of the recommendations of the Bengal Government Retrenchment Committee who recommended the abolition of the Bengal Secretariat Book Depot?

**The Honourable Sir Frank Noyce:** (a) and (b). The Government of Bengal have inquired if the Government of India would be willing to appoint them as agents for the sale of Government of India publications. I am not sure what is meant by "terms of conditions sponsored"; if the change suggested were made, the arrangements in Bengal would be similar to those in Madras and Bombay and the Government of India's bookshop would be closed.

(c) No. I have not seen those recommendations.

**PROPOSAL FOR CLOSING DOWN THE GOVERNMENT OF INDIA BOOK DEPOT AT CALCUTTA.**

**217. Mr. S. C. Mitra:** (a) Will Government be pleased to state the total value of stock held in the Central Government Book Depot at Calcutta on the 1st April, 1938?

(b) How many different varieties of Specifications have since been transferred by the Controller of Patents and Designs, Calcutta to the Central Government Book Depot?

(c) What is the total value of these Specifications stored in the Calcutta Office?

(d) What is the subsequent proportion of storage in the Calcutta and Delhi offices of the Central Publication Branch?

(e) Is it a fact that the transfer of Specifications was made with the concurrence of the Government of India?

**The Honourable Sir Frank Noyce:** (a) and (c). The figures are not available.

(b) Approximately 22,000 varieties.

(d) Twelve copies of each of the specifications are kept for sale. Of these four copies were kept in Calcutta and the balance sent to Delhi.

(e) Yes.

**PROPOSAL FOR CLOSING DOWN THE GOVERNMENT OF INDIA BOOK DEPOT AT CALCUTTA.**

**218. Mr. S. C. Mitra:** (a) Are Government aware that the Central Government Book Depot is widely patronised by the leading mercantile firms of Calcutta?

(b) Are Government aware that the existing arrangement is ideally suited to cater the needs of the public and also serve as an up-to-date information bureau for the Government of India publications?

**The Honourable Sir Frank Noyce:** (a) and (b). The shop occupies a good site and I believe it has proved a convenience to the general public of Calcutta as well as to the mercantile firms.

**PROPOSAL FOR CLOSING DOWN THE GOVERNMENT OF INDIA BOOK DEPOT AT CALCUTTA.**

**219. Mr. S. C. Mitra:** (a) Is it a fact that Local Government Book Depots serve as agents for the sale of Government of India publications?

(b) Are Government aware that the transactions with Local Government Book Depots are effected on a "Sale and Return" basis?

(c) Is it a fact that under the above arrangement postage and other transit charges for supplies to Local Government Book Depots are borne by the Publication Office?

(d) Is it a fact that the sale proceeds are credited by Book Depots to Central Government less 25 per cent. discount on the published price of publications?

(e) Is only 50 per cent. added to the cost of production in determining the sale price of a publication?

(f) Will Government be pleased to lay on the table the respective sale returns of Government of India publications for the last six months in the Provincial Government Book Depots of Bombay, Madras, Burma, the United Provinces and the Punjab?

**The Honourable Sir Frank Moyce:** (a) to (d). Yes.

(e) Yes, except in certain special cases.

(f) Stock returns giving figures for the last six months are not available.

**PROPOSAL FOR CLOSING DOWN THE GOVERNMENT OF INDIA BOOK DEPOT AT CALCUTTA,**

220. **Mr. S. C. Mitra:** (a) With reference to the proposal of the Bengal Government to act as agent for the sale of Government of India publications, will Government be pleased to state what will be the approximate monthly expenditure on transit charges for the supply of new stock from the Calcutta Press to the Bengal Government Book Depot?

(b) Is the Bengal Government agreeable to store thousands of Patent Office Specifications, and if so, what will be the amount of charges to be paid by the Central Publication Branch to the Local Government on account of storage and handling?

**The Honourable Sir Frank Noyce:** (a) and (b). These questions have not yet been examined by my Department and I am therefore unable to give the particulars desired.

**INSOLVENCY OF MR. J. R. HOPPER, AN EMPLOYEE OF THE CENTRAL PUBLICATION BRANCH.**

221. **Mr. S. C. Mitra:** (a) With reference to Government's reply to part (a) of my unstarred question No. 61, dated the 13th September, 1933, will Government be pleased to state why Mr. J. R. Hopper an employee of the Central Publication Branch should not be liable to dismissal in accordance with Rule 16 of the Government Servants' Conduct Rules?

(b) Is it not incumbent on the insolvent person to report to the Local Government or to such authority subordinate to the Government the matter of becoming an insolvent under paragraph (3) of Rule 16 of the above Rules?

(c) Why was not sub-section (5) of Rule 16 of the aforesaid Rules enforced in this particular case?

(d) Is Mr. James R. Hopper an Anglo-Indian?

(e) Are not the rules cited above applicable to Anglo-Indians?

(f) Are Government aware that one Indian clerk in the office of the Manager, Government of India Forms Press, Calcutta, has lately been dismissed for his habitual indebtedness?

(g) Will Government be pleased to state the circumstances in which similar penalty was not imposed on Mr. J. R. Hopper?

**The Honourable Sir Frank Noyce:** (a) All Government servants who are insolvent are liable to dismissal, but all insolvents are not dismissed.

(b) Not as the rules stand at present.

(c) and (g). The Controller of Printing and Stationery is enquiring into the matter.

(d) Yes.

(e) The rules are of general application.

(f) Yes.

#### DILAPIDATED CONDITION OF QUARTERS ALLOTTED TO THE STAFF OF THE CENTRAL PUBLICATION BRANCH.

**222. Mr. S. C. Mitra:** (a) Is it a fact that the Joint Secretary of the Industries and Labour Department was definitely opposed to the move of the Central Publication Branch from Calcutta until the problem of suitable residential accommodation for the staff was solved?

(b) Is it a fact that the Controller of Printing and Stationery took upon himself the responsibility of acquiescing in the allotment of quarters to the staff of the Central Publication Branch notwithstanding the disapproval of the Public Works Department?

(c) Are most of these quarters in a dilapidated condition with leaky roofs?

(d) With reference to page 45 of the Standing Finance Committee Report, Volume XIII, No. 2, will Government be pleased to state how the following sentence with regard to Government quarters at Timarpur that occurs therein is consistent with the reply to part (a) of my starred question No. 169, dated the 29th August, 1933?

"The quarters at present occupied by the staff at Timarpur have been condemned by the Public Works authorities as unsuitable and as requiring a considerable amount of expenditure for rehabilitation".

(e) Is it a fact that during rains the inmates of the "E" type quarters had to leave the quarters with their wives and children as the rooms were flooded?

(f) Will Government be pleased to state definitely who was responsible for allotting such quarters?

(g) Was not the dilapidated condition of the quarters and the old Press building one of the reasons for the transfer of Delhi Press to New Delhi?

**The Honourable Sir Frank Noyce:** (a) and (b). Views expressed departmentally by officers are confidential, and I regret that I am unable to disclose them.

(c) The quarters are admittedly in a bad condition. The roofs of some of them leaked during the last monsoon which was exceptionally heavy. The complaint applied to many buildings both in New and Old Delhi.

(d) It is true that the quarters have been condemned as unsuitable and as requiring a considerable amount of expenditure for rehabilitation, but they have not been condemned as unfit for residential purposes. They are still useful and are in demand.

(e) These quarters were entirely free from flooding during the last monsoon but some of the occupants of the quarters which leaked badly were permitted to move into vacant quarters which were not leaking, and others were supplied with tents.

(f) The quarters are allotted among the applicants for them by the Estate Officer, Central Public Works Department, under the general orders of the Government of India.

(g) No; the attention of the Honourable Member is invited to the proceedings of the meeting of the Standing Finance Committee of the 30th August, 1928, (Volume VIII—No. 2), which explain the reasons for the transfer of the Press to New Delhi.

#### ALLEGED MISMANAGEMENT OF THE CENTRAL PUBLICATION BRANCH.

223. **Mr. S. C. Mitra:** With reference to the reply to part (c) of my unstarred question No. 58, dated the 18th September, 1933, regarding the alleged mismanagement of the Central Publication Branch, will Government be pleased to state whether any complaint was received from any member of the Indian Legislature during the last three financial years? If so, from whom and when? If not, what is the justification of the Manager making a statement on the lines to the Press representative?

**The Honourable Sir Frank Noyce:** There is no record of any complaint having been received from any Member of the Indian Legislature during the last three financial years. The Manager has stated that he did not make the statement attributed to him.

#### CENTRAL PUBLICATION BRANCH.

224. **Mr. S. C. Mitra:** (a) Is it a fact that the Central Publication Branch was established in 1924?

(b) What was the sanctioned strength of the superior staff of the Central Publication Branch when it was first created?

(c) What is the ratio between the sanctioned strength of the clerical staff in 1924 and the present sanctioned strength?

(d) What is the ratio between the number of indents received in 1924-25 and the number of indents received during the last financial year?

(e) What are the respective total numbers of all kinds of vouchers in respect of supply of publications during the years 1924-25 to 1931-32?

(f) What are the amounts credited to Government account by cash sale of publications during the years 1924-25 to 1931-32?

**The Honourable Sir Frank Noyce:** (a) Yes.

(b) 40.

(c) The present strength of the clerical staff is about double that sanctioned in 1924.

(d) Figures for indents alone are not available. The number of indents and letters together received in 1932-33 is about double that received in 1924-25.

(e) and (f). The total number of all kinds of vouchers is not available. The available figures are as follows:

Year.	Letters and vouchers issued.	Amounts credited.
	Rs.	Rs.
1924-25	141,192	1,90,672
1925-26	368,377	2,79,232
1926-27	377,779	3,16,140
1927-28	434,806	3,19,658
1928-29	719,106	4,76,735
1929-30	844,742	5,88,049
1930-31	985,648	6,23,933
1931-32	856,655	3,44,877

#### CLERKS OF THE CENTRAL PUBLICATION BRANCH TRANSFERRED FROM CALCUTTA TO DELHI.

225. **Mr. S. C. Mitra:** (a) Will Government be pleased to state how many clerks of the Central Publication Branch were transferred from Calcutta to Delhi on duty?

(b) Will Government please lay on the table a statement showing the names of the clerks so transferred?

(c) Are Government aware that two men who were recruited at Delhi on daily wages have been appointed in the Assistant's grade?

(d) If so, what are the reasons for ignoring the claims of all permanent senior hands of the office?

(e) Is there not a single individual amongst the permanent staff meriting promotion?

**The Honourable Sir Frank Noyce:** (a) 52 clerks including typists.

(b) I do not think that the list is of sufficient public interest to justify its being laid on the table, but it may be inspected in my Department by any Member who so desires.

(c) Yes, as a temporary measure.

(d) and (e). No suitable permanent men were available for the posts.

#### PROPOSAL FOR THE INCREASE OF STAFF OF THE CENTRAL PUBLICATION BRANCH.

226. **Mr. S. C. Mitra:** (a) Is it a fact that the present officiating Manager of Publications has sent up a proposal to the Controller of Printing and Stationery, regarding the increase of staff?

(b) Are Government aware that the work of the Branch has considerably increased since its inception?

(c) Are Government aware that the work is far out of proportion to the sanctioned strength of the staff?

(d) Are Government aware whether the position was ever reviewed by the Controller? If so, when?

**The Honourable Sir Frank Noyce:** (a) and (b). Yes.

(c) No.

(d) The position has been frequently reviewed by the Controller and by Government.

#### GRANT OF FURTHER EXTENSION TO THE CONTROLLER OF PRINTING AND STATIONERY.

227. **Mr. S. C. Mitra:** (a) Will the Honourable Member in charge of the Department of Industries and Labour be pleased to state whether the grant of further extension to the Controller of Printing and Stationery is under contemplation of the Government of India?

(b) Is he not already enjoying one extension? If so, why do not Government propose to appoint a new Controller in the revised scale and thereby save extra expenditure to Government?

**The Honourable Sir Frank Noyce:** (a) and (b). The present Controller of Printing and Stationery is now on an extension of service for one year. He has been granted a further extension of service for one year as Government considered this desirable in the public interest.

#### POSITION OF TEMPORARY CLERKS IN THE CENTRAL PUBLICATION BRANCH.

228. **Mr. S. C. Mitra:** (a) With reference to the reply to part (b) of my unstarred question No. 64, dated the 13th September, 1938, regarding the position of temporary clerks in the Central Publication Branch, will the Honourable Member in charge of the Department of Industries and Labour please state whether there was not a single man in the temporary cadre deserving officiating appointment in the higher post?

(b) Is it a fact that all the temporary men having experience in the work of the office are unsuitable for the posts and the newcomers are superior to them?

(c) Was any competitive examination held to attract the best man for the purpose? If not, how was the newcomers' superiority over the temporary men ascertained?

(d) Are Government aware that the present officiating Manager of Publications reported to the Controller of Printing and Stationery that there were too many Bengalees in the office?

(e) Is it a fact that the Manager also reported that he was desirous of recruiting men from this part of India?

(f) Is it a fact that Mr. C. F. Weakford, M.B.E., the then officiating Controller of Printing and Stationery gave the decision that the cases of temporary men of the Central Publication Branch should receive foremost consideration should any chance of betterment of pay and prospects arise in future?

**The Honourable Sir Frank Noyce:** (a), (b) and (c). I am not clear as to which post the Honourable Member has in mind; but appointments of the type to which he refers are made by the Controller of Printing and Stationery. I have no information regarding the details of these appointments and no reason to suppose that the Controller did not make the appointment best calculated to serve the public interest.

(d) No.

- (e) I have no knowledge of any such report.
- (f) I am not aware of any such decision; but temporary men are ordinarily preferred when permanent vacancies occur for which they are qualified.

#### TRANSFER OF THE CENTRAL PUBLICATION BRANCH TO DELHI.

**229. Mr. S. C. Mitra:** (a) With reference to paragraph 127 (page 52) of the Public Accounts Committee Report, Volume I, 1929-30, will Government be pleased to state whether it is a fact that the question of the move of the Central Publication Branch to Delhi was raised on the ground of paucity of accommodation as stated therein?

(b) Has the move of the office to Delhi really improved the control of stocks as was envisaged in the above report? If not, why not?

**The Honourable Sir Frank Noyce:** (a) The Honourable Member is referred to the paragraph in question, which states the circumstances to which the attention of the Committee was drawn.

(b) The answer to the first part is in the affirmative. The second part does not arise.

#### SENIORITY LIST OF GUARDS OF THE DINAPORE DIVISION OF THE EAST INDIAN RAILWAY.

**230. Mr. M. Maswood Ahmad:** (a) Will Government be pleased to state whether the seniority list of the Guards, Grade B, Dinapore Division, East Indian Railway, as supplied to the department concerned by me, is correct?

(b) Will Government be pleased to lay on the table the seniority list of Guards, Grade "A", of the same Division?

(c) If the reply to part (a) be in the negative, will Government be pleased to lay on the table a correct seniority list?

**Mr. P. R. Rau:** Seniority lists of Guards are not submitted to Government and I am therefore unable to comply with the Honourable Member's request. Government do not consider any useful purpose will be served by obtaining the information required.

#### PURCHASE BY THE RAILWAY BOARD OF CAST IRON OR STEEL SLEEPERS FOR RAILWAYS.

**231. Mr. G. Morgan (on behalf of Mr. C. C. Biswas):** (a) Is it a fact that the Railway Board have been recently purchasing cast iron or steel sleepers for railways in preference to wooden sleepers?

(b) Is it a fact that the Railway Board circularised Railways instructing them that no more wooden sleepers were to be used except in special circumstances?

**Mr. P. R. Rau:** (a) No. The Railway Board have not changed their policy of purchasing both metal and wooden sleepers.

(b) No. The orders of the Railway Board referred to further orders for wooden sleepers over and above those arranged for on a three year contract in 1932.

**ORDERS PLACED BY THE STATE AND COMPANY-MANAGED RAILWAYS FOR CAST IRON OR STEEL SLEEPERS.**

232. **Mr. G. Morgan** (on behalf of Mr. C. C. Biswas): (a) What is the extent of the orders placed by State Railways and Company-owned Railways for cast iron or steel sleepers during the last few years, and what were the quantities of wooden sleepers purchased during the same period?

(b) Will Government be pleased to give the comparative figures for the same number of years previously?

**Mr. P. R. Rau:** (a) and (b). The attention of the Honourable Member is invited to the statement laid on the table by the Honourable Sir Guthrie Russell in the Council of State on 18th February, 1933, in reply to question No. 80 of the Honourable Rai Bahadur Lala Ram Saran Das, which contains figures for the years 1927-28 to 1931-32 (both inclusive).

The figures of purchases for 1932-33 are as follows:

		Rs. a. p.	Rs. a. p.
B. G. wood (Nos.)	12·15 lakhs at from . . .	5 0 0	to 7 4 0
M. G. " "	11·06 " " . . .	2 7 0	to 3 8 0
N. G. " "	1·17 " " . . .	1 11 0	
Metal " "	0·96 " " . . .	7 0 3	to 7 10 0 each

**DISCARDING BY THE RAILWAY BOARD OF THE USE OF WOODEN SLEEPERS IN FAVOUR OF CAST IRON OR STEEL SLEEPERS.**

233. **Mr. G. Morgan** (on behalf of Mr. C. C. Biswas): (a) What were the reasons which led the Railway Board to discard the use of wooden sleepers in favour of cast iron or steel sleepers?

(b) Is it a fact that cast iron or steel sleepers had to be bought as the Railway Board wished to use up pig iron which they had purchased?

(c) What were the quantities of pig iron purchased during the last few years, and from whom were they purchased?

(d) What were the terms of such purchases, and what were the reasons therefor?

(e) How long do Government estimate it will take to use up the pig iron already purchased or contracted for?

(f) What is the extra cost involved in the use of cast iron or steel sleepers as against wooden sleepers?

(g) Is it not the case that cast iron or steel sleepers on main lines cost more in maintenance than wooden sleepers?

(h) Is it not a fact that about 10 per cent. extra ballast has to be used for cast iron or steel sleepers as compared with wooden sleepers? If so, how much has this extra ballast cost the Railways during the last five years, and how much has the extra staff involved cost?

**Mr. P. R. Rau:** (a) The Railway Board have not discarded the use of wooden sleepers in favour of metal.

(b), (c), (d) and (e). Metal sleepers have always been used on Indian railways, and the number used in recent years, as compared with wooden

sleepers, has decreased considerably. The Railway Board have entered into agreement with the Indian Iron and Steel Company, for the purchase of 34,000 tons of pig iron between October, 1931, and March, 1935, for subsequent conversion into cast iron sleepers. Cast iron sleepers to that extent would, it was considered, be required during that period, and the price at which it was obtained was a favourable price.

(f) There is no extra cost involved as cast iron sleepers are used where they would be—taking all circumstances, such as their longer life, into consideration—not more costly than wooden sleepers.

(g) No.

(h) The answer to the first part of the question is in the affirmative; but, as I have already informed the Honourable Member, cast iron sleepers are not used except when they are on the whole more economical than wooden sleepers.

#### USE OF WRENCH MAHINDRA SLEEPERS ON RAILWAYS.

234. **Mr. G. Morgan** (on behalf of Mr. C. C. Biswas): (a) Is there a cast iron sleeper known as the Wrench Mahindra type in use on the Railways?

(b) Was it invented by Mr. Wrench of the Railway Board and Mr. Mahindra of the Indian Iron and Steel Company?

(c) Did the Railway Board buy any pig iron from the Indian Iron and Steel Company, and if so, how much and on what terms during the last few years?

(d) Has this Wrench Mahindra Sleeper ever been formally approved by the Track Standards Committee? If not, why is it used?

(e) Do Government derive any financial benefit from, or is any royalty paid on, this Wrench Mahindra invention?

(f) How many Wrench Mahindra Sleepers have been used, and how many are on order, by the different Railways?

**Mr. P. R. Rau:** (a) Yes.

(b) The original design was prepared by Messrs. Burn and Company and incorporated a feature invented by Messrs. Wrench and Mahindra.

(c) I would refer the Honourable Member to my reply to parts (c), (d) and (e) of his question No. 285.

(d) No type of cast iron sleeper has been formally approved by the Track Standards Committee. The Wrench Mahindra and several other designs have been offered for trial.

(e) The sleeper in question is the cheapest of the approved types. No royalty is paid on the Wrench Mahindra invention which was incorporated only in the original design of which only about 7,500 were ordered.

(f) From the records available in the Railway Board's office approximately 131,300 of these sleepers have been used and approximately 26,500 are on order.

**HARDSHIPS OF THE DEALERS IN WOODEN SLEEPERS.**

285. **Mr. G. Morgan** (on behalf of Mr. C. C. Biswas): (a) Is it the policy of the Railway Board to continue the use of pig iron, and to reduce the purchases of wooden sleepers?

(b) Are Government aware of the great hardship and distress which is being caused by the action of the Railway Board among those whose only livelihood is in sawing and transporting wooden sleepers in Bengal, the Central Provinces, Bihar and Orissa and Assam?

(c) Will Government be pleased to state if they propose to take any steps to re-consider the situation with a view to according relief to those engaged in the wooden sleepers trade?

**Mr. P. R. Rau:** (a) It is the present policy of the Railway Board to continue the use of metal and wooden sleepers, the number to be purchased in any year being fixed on their relative prices, the sections of railway for which they are required and other considerations, as in the past.

(b) and (c). Government are aware of the depression in the timber market, which depression is not unfortunately restricted to any one trade, industry or locality. The policy of Government has always been to make purchases of wood and metal sleepers as circumstances dictate, and they are not in present circumstances prepared to give either a practical monopoly.

**RETURN ROYALTY PAID BY PRODUCERS TO PROVINCIAL GOVERNMENTS ON WOODEN SLEEPERS.**

286. **Mr. G. Morgan** (on behalf of Mr. C. C. Biswas): Will Government be pleased to state if the return royalty paid by producers to Provincial Governments on wooden sleepers is taken into account when the Railway Board are purchasing sleepers?

**Mr. P. R. Rau:** Royalties are not taken into account.

**BEGUMPUR STATION ON THE HOWRAH BURDWAN CHORD OF THE EAST INDIAN RAILWAY.**

287. **Mr. S. C. Mitra:** (a) Will the Honourable Member in charge of the Railway Department be pleased to lay on the table a statement showing the following figures for the years 1931-32 and 1932-33 with regard to the Begumpur station on the Howrah Burdwan Chord of the East Indian Railway:

(i) the total amount of goods and passenger traffic, and

(ii) the total amount, paid by the East Indian Railway to Messrs. Martin & Company as compensation for loss of traffic sustained by their Janai station of the Howrah Sheakhala Light Railway?

(b) Is the Honourable Member aware:

(i) that the last Up Train on the Howrah Burdwan Chord had a stoppage of nearly ten minutes at the station to take heavy consignments of betel leaves for the Up Country; and

- (ii) that the above stoppage has now been reduced to only three minutes owing to the diversion of the greater portion of the above traffic by carts over the District Board Roads, causing loss of Railway revenue?
- (c) Do Government propose to consider the desirability of purchasing the Janai Branch of the Howrah Sheakhala Light Railway of Messrs. Martin & Co. to bring more Railway revenue by improving the Begumpur station?

(d) Is it a fact that a station is provided with a *pucca* feeder road, raised platforms and an overbridge when its traffic is heavy?

(e) If the answer to part (d) is in the affirmative, what are the reasons for not providing the Begumpur station with the above? Has it got the heaviest traffic on the Howrah Burdwan Chord?

**Mr. P. R. Rau:** I am making enquiries from the Agent, East Indian Railway and shall place a reply on the table in due course.

#### STATEMENTS LAID ON THE TABLE.

**The Honourable Sir Joseph Bhore** (Member for Commerce and Railways): Sir, I lay on the table:

- (i) the information promised in reply to part (c) of starred question No. 681, and starred question No. 682, asked by Mr. Nabakumar Sing Dudhoria on the 6th September, 1933;
- (ii) the information promised in reply to starred question No. 713 asked by Mr. K. C. Neogy, on the 6th September, 1933; and
- (iii) the information promised in reply to unstarred question No. 107 asked by Rao Bahadur M. C. Rajah, on the 18th September, 1933.

#### AMOUNT SPENT BY THE CALCUTTA PORT TRUST ON THE PURCHASE OF MATERIALS IN INDIA.

\*681. (c) *Chairman*—The Honourable Mr. C. C. Stevens, I. C. S.  
*Secretary*—Mr. R. A. Donnithorne.

#### TECHNICAL APPRENTICES IN THE CALCUTTA PORT TRUST WORKSHOPS.

\*682. (a) and (b).

	Indians.	Anglo- Indians.	Europeans.	Total.
1929-30 . . . . .	19	10	..	29
1930-31 . . . . .	21	10	..	31
1931-32 . . . . .	18	10	..	28
1932-33 . . . . .	18	10	..	28

(c) Apprentices are not accepted until they have passed the Board of Apprenticeship Training Examination, and they do their technical training simultaneously with their practical training.

(d) Yes.

(e) The work of these apprentices is supervised by the foremen under whom they work. General supervision is exercised by the Chief Mechanical Engineer and the Assistant Chief Mechanical Engineers.

(f) The information is not available.

(g) Owing to extensive retrenchment, no fresh men have been recently absorbed in the service of the Port Commissioners. In the past suitable apprentices have been employed after completing their training.

(h) No.

#### EXPORT OF BENGAL AND BIHAR COAL.

\*713. As a result of the inquiries made of the Indian Coal Grading Board, the Government of India are informed that during the first six months of this year the European-owned collieries shipped 87 per cent. of the exported coal from the Kidderpore Docks and the coals despatched were from about 50 collieries.

#### LIQUIDATION OF THE INDRAAPRASTHA STORES, LTD., DELHI.

107. The liquidation of the Indraprastha Stores Ltd., Delhi has not yet been completed. It is understood that the delay in the completion of the winding up of the company is due to the fact that money has yet to be realised from certain persons against whom the liquidator has obtained decrees from the civil court. Government however cannot press a liquidator of a company in voluntary liquidation to complete the winding up within any specified period.

As pointed out in the statement furnished to Mr. K. Siddheswar Prasad Sinha in reply to his question No. 719 in the Legislative Assembly on the 23rd September, 1929, it is for the shareholders or the creditors to seek their remedy in a court under Section 219 of the Indian Companies Act, 1913, if they are not satisfied with the liquidator. In such circumstances the court can appoint another liquidator.

**The Honourable Sir Frank Noyce (Member for Industries and Labour):**  
Sir, I lay on the table:

(i) the information promised in reply to part (d) of starred question No. 959, asked by Shaikh Fazal Haq Piracha, on the 8th November, 1932;

(ii) the information promised in reply to starred question No. 618, asked by Mr. Bhuput Sing, on the 5th September, 1933; and

(iii) the information promised in reply to starred question No. 710, asked by Mr. K. C. Neogy, on the 6th September, 1933.

#### RECRUITMENT OF MUSLIMS IN THE SIMLA POST OFFICE.

\*959. (d) The results of the promised enquiry have established that there was some lack of care on the part of the officers concerned in carrying out orders and the Director-General has decided that they should be given a formal warning to be more careful in future.

**COST OF PRODUCTION OF PUBLICATIONS SOLD AS WASTE PAPER ON THE TRANSFER OF THE CENTRAL PUBLICATION BRANCH TO DELHI.**

\*618. The cost of production of the publications disposed of as waste paper during 1932-33 was approximately Rs. 2,42,540.

**COLLIERIES WORKING IN BENGAL AND BIHAR COAL FIELDS.**

\*710. Government have no precise information regarding the extent to which collieries are owned by Indians and by Europeans. A considerable number of mines are owned by joint stock companies of which the shareholders are probably both Indian and European. The total number of collieries which closed down between the dates mentioned was 465, i.e., 136 in Bengal and 329 in Bihar and Orissa. Of these 85 were only closed temporarily. A large majority of these mines were probably owned and managed by Indians.

**Mr. P. R. Rau** (Financial Commissioner, Railways): Sir, I lay on the table:

- (i) the information promised in reply to starred question No. 377, asked by Mr. Lalchand Navalrai, on the 1st September, 1933;
- (ii) the information promised in reply to starred questions Nos. 392 to 394, asked by Mr. M. Maswood Ahmad, on the 1st September, 1933;
- (iii) the information promised in reply to starred question No. 968, asked by Mr. S. G. Jog, on the 16th September, 1933; and
- (iv) the information promised in reply to unstarred question No. 76, asked by Mr. S. C. Mitra, on the 18th September, 1933.

**POST OF OFFICE SUPERINTENDENT, KARACHI DIVISION, NORTH WESTERN RAILWAY.**

\*377. (a) Mr. Bennett, a permanent Traffic Inspector was selected for the post of Office Superintendent by a Selection Committee, comprising of three senior officers and was posted to officiate as Office Superintendent Karachi. His permanent post of Traffic Inspector was held in abeyance for a short time, after which it was revived and held by another permanent Traffic Inspector.

(b) No. The claims of senior Head Clerks recommended as fit for the post of Office Superintendent were considered by the Selection Committee who selected Mr. Bennett.

(c) The reply to the first part of the question is in the negative. The question of Mr. Bennett's confirmation as Office Superintendent will only be considered in turn on the occurrence of a permanent vacancy.

(d) The Agent reports that no racial discrimination was involved in the appointment of Mr. Bennett as Office Superintendent.

(e) Promotion to the post of office Superintendent is by selection and cannot be claimed as a right. Mr. Bennett when selected was considered the most suitable man for the post and his reversion is not contemplated.

(f) Selection Committees are convened at headquarters for the selection of senior subordinates for senior posts, but as complete records of such subordinates are available in that office individuals are not called up for an interview on each occasion. No departure was made from the usual practice in this case.

**INTRODUCTION OF NEW SYSTEM OF HOURS OF REST ON THE EAST INDIAN RAILWAY.**

\*392. (a) Under the old system of hours of work, no uniform system was in force and the staff were given rest periods which varied in length of time. Under the Hours of Employment Regulations now in force, employees classed as "continuous" workers are granted during each week commencing on Sunday, a period of rest of not less than 24 consecutive hours. The following railway servants are granted in every calendar month, at least one period of rest of not less than 48 consecutive hours or two periods of rest of not less than 24 consecutive hours each :

- (i) Artisans and unskilled labour employed on lines under construction and for temporary purposes on open lines;
- (ii) Mates, keymen and gangmen employed on the maintenance of permanent way.

Railway servants to whom the Hours of Employment Regulations apply are given, as far as possible, in every period of 24 hours a minimum rest period of not less than eight consecutive hours.

(b) Yes.

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**NIGHT DUTY OF ASSISTANT STATION MASTERS ON CERTAIN BRANCH LINES OF THE EAST INDIAN RAILWAY.**

\*393. (a) The Agent, East Indian Railway reports that the work of Assistant Station Masters on branch lines is essentially "intermittent" and that they work on a roster which provides weekly a full night's rest of eight hours.

(b) Government are satisfied that the hours of duty have been correctly classified as essentially 'intermittent' and they are further informed that only one Goods train in either direction is run on branch lines to scheduled timings and that light engines are very seldom run.

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**REST FOR CERTAIN STATION MASTERS ON THE EAST INDIAN RAILWAY.**

\*394. The Agent, East Indian Railway reports that station masters employed at stations where they do not perform train passing duties are classed as essentially 'intermittent' and that their duties have been fixed in split shifts so as to give them a minimum rest of six to eight consecutive hours in the course of every twenty four hours. The Agent further reports that the work at such stations is nominal.

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**HOLIDAY HOMES MAINTAINED BY THE NORTH WESTERN RAILWAY AT HILL STATIONS.**

\*968. (c) and (d). The Railway does not maintain any Holiday Homes; but there is one Holiday Home at Simla maintained by the Headquarters Committee of the staff Benefit Fund.

(b) The following general conditions have been laid down by the Committee :

- (i) The Home is open to permanent subordinate employees with not less than five years' service while on leave or holiday;
- (ii) families of employees are entitled to use the Home when accompanied by the employee himself;
- (iii) visitors are permitted to stay in the Home for a period of fourteen days only, except that this period may be extended to one month to those proceeding to Simla on medical advice;

- (iv) a nominal fee of annas eight per diem per suite is charged to each occupant to cover the cost of lighting, etc.,
- (v) visitors are required to make their own arrangements for food;
- (vi) beyond the observance of seemly conduct, the general dusting and cleanliness of their rooms, and that all lights must be put out by 10-30 P.M. no other conditions are imposed on visitors.

(c), (e) and (f). The Home is maintained out of the Staff Benefit Fund.

(g) Eligibility of occupation is regulated by the conditions set forth in reply to (b) above. Menial staff are not eligible.

(h) The Home is open to subordinate employees who have not less than five years' service, while on leave or on holiday, without any limit of pay.

(i) This is absolutely incorrect. The Home is only open to subordinate employees, and no subordinate has the power to fine another subordinate.

(j) and (k). Arrangements have been made by the Committee of the Staff Benefit Fund to lease additional accommodation in the present building, used for the Holiday Home, for next year. No part of the rent is paid by Government.

(l) No.

#### DISCRIMINATION IN THE DISTRIBUTION OF QUARTERS ON THE NORTH WESTERN RAILWAY.

76. (a) Yes.

(b) Of the Twenty Assistant Controllers employed at Delhi, all but two are living in railway quarters of type No. Q-12; Two were offered quarters of the same type (Q-12) which were available at More Scrai but preferred to live at Pahargunj in Railway quarters of type No. Q-9/11.

(c) Does not arise.

#### THE RESERVE BANK OF INDIA BILL.

**The Honourable Sir George Schuster** (Finance Member): Sir, I move.

"That the Bill to constitute a Reserve Bank of India, as reported by the Joint Committee, be taken into consideration."

Before I come to matters of detail with which I have to deal, I should like to take the opportunity to express my appreciation of the way in which Members of the Legislature have co-operated with us in the extremely heavy task involved in the detailed consideration of this measure and the linked measure of the Imperial Bank of India (Amendment) Bill. I doubt if it is generally realised how heavy that work was. We had two Bills to consider which together now contain 100 clauses and five Schedules, and many of those clauses are in themselves practically of the substance of an important Bill. Dividing them into sub-clauses of major importance, there were no less than 263 sub-clauses to consider. Everyone of these has received careful, and, I think, I may say, in some cases, meticulous, consideration. In addition to this, we devoted a full week to discussions with selected experts and we went carefully over all the important questions such as the relations between the Reserve Bank and the scheduled banks, the nature of the business to be done by the Bank, the investments of the reserves and the relations with the Imperial Bank. We also had a full discussion with representatives of co-operative banks and with the representative chosen by the Federation of Indian Chambers of the indigenous bankers. I think I may say that the representative experts whom we saw felt that they had the fullest possible opportunity of putting

before us the practical points which they had in their mind. I may inform the House that I have received letters from many of them since our meetings saying that, although they had originally thought that the procedure which we proposed would not work satisfactorily, nevertheless, having attended our meetings and having been given these opportunities, they were fully satisfied that the way in which we worked was the best way for dealing with these matters. In addition to the banking experts, we had the advantage of conferring with Mr. A. D. Shroff of Bombay who gave us valuable views, not only on the technical matters which we discussed with the others, but also from the point of view of the stock-exchange and the investing public. As a result of this, I think, it may be claimed that a very valuable piece of work has been done. On a great mass of what I may call the practical business machinery involved in setting up a central bank in India, we have carefully checked and in many respects modified and re-arranged the plan contained in the original Bill. As a result, we have produced what I believe to be a much better plan. Now, my object in referring to all this is not to indulge in flattery of the Committee and still less in complacent self-congratulation, but rather to emphasise that a very valuable piece of work has been done through the instrument of the Indian Legislature and to express a hope that this valuable work may not be jettisoned.

Now, let me turn to the report. The main report is a very substantial document and the minutes of dissent cover almost exactly the same, I am glad to say not more, printed space.

**Mr. B. Das** (Orissa Division: Non-Muhammadan): They are equally substantial.

**The Honourable Sir George Schuster:** When I received them, I was reminded by my Honourable friend and colleague, the Law Member, of an old Bengali proverb "the stone is larger than the fruit". But fortunately in this case the minutes of dissent are not all unfruitful and they do not represent one large stone, but a number of small ones which can perhaps be more easily disposed of. As I have little doubt that all Honourable Members will by now have carefully studied the reports, I need not perhaps go through them in detail, and I will confine myself to commenting on the more important features. In doing this, it is desirable to follow some sort of order. Most of the general or political issues arise in the first part of the Bill, in clauses 1—16. Then, as a separate class, one must consider what I call the business clauses of the Bill, the chief of which are clauses 17 and 18, 33 and 42, and lastly, there are a number of other important points on other clauses. I propose to deal with those three classes in the order in which I have just stated. I will first touch on the issues raised in the first 16 clauses and do that as lightly as possible, because they are very fully explained in the report. In the first place, there are some very important issues which can be discussed in connection with clause 4. Under this clause, the Committee took the opportunity to assert, with the full sympathy, I must say, of the Government members, a principle of the highest importance affecting the treatment of Indian nationals by the Dominion Governments and to lay down that full equality of treatment in this matter shall not be accorded to nationals of Dominions which discriminate in any way against Indians. A further point arose in the same clause, namely, that it should be provided in the Statute that at least 75 per cent. of the shares must at all times be held by natural born Indians, and I might conveniently link up

[Sir George Schuster.]—I have no objection to say what I have to say on that question with the similar question which arises as to the proportion of Indians among the Directors and among the Chief Executive Officers which arise under clauses 8 and 15. On these points, I want to emphasise at the outset that there is no difference of opinion between us on the Government side and any member of the Committee as to what will and should be the practical result to be obtained. It is merely a question of what is right and necessary to insist upon by actual Statutory provisions.

Take the question of shareholding first. We on this side have not the smallest doubt that in practice considerably more than 75 per cent. of the shares will actually be held by natural born Indians and we would go so far as to say that we think it right that that should be so. But we must take our stand on the position that, so far as the Statutory provisions are concerned, no distinction can be drawn in this matter between Indian born subjects of His Majesty and United Kingdom,—not Dominion—British subjects, resident in India. That is an essential constitutional principle and the parallels quoted from other central bank Statutes do not apply in the present case, because, in this case, we must regard the United Kingdom British subjects resident in India as equivalent to Indian nationals. Now, on the practical side, if Honourable Members will only consider how the shares are to be allotted and how the voting rights are to be limited, I feel certain that they will be satisfied that there is not the slightest chance of an undue preponderance being acquired by British residents in India. In the first place, the shares are to be kept on different registers which will assure an even distribution throughout India. In the second place, the allotment is to be made so that in the first place to every applicant for five shares or more will be distributed five shares. That means there will be the maximum distribution of voting rights. After that has been done, of the shares that remain, half will be ear-marked for allotment to those who have applied for less than five shares and after they have been satisfied out of that half, the remainder will go to those who have applied for more than five shares, and, as regards the allocation among those people, it is laid down that they must be allocated in such a manner as to secure the widest possible distribution, which means that each applicant on the smaller steps must be filled up before a man on the higher steps can get any further shares. We are quite certain that this will mean that Indians must get practically the whole of the shares at the outset, and we believe further—and we are confirmed in this belief by many of those who appeared before us, including Mr. Shroff,—we believe that the vast majority of these shares will be firmly held and will not come on the market again. But, apart from that, there are other safeguarding factors. In the first place, however many shares any single individual acquires, he cannot get more than ten votes. Therefore, that provision alone will prevent a few rich British residents from obtaining a preponderating influence. Secondly, another point I want to mention is this—that these shares will in fact be much less attractive as an investment for British residents here in India, because, when a British resident retires from India, he will automatically cease to be entitled to exercise a vote or to draw a dividend on his shares. Therefore, on retirement, he will be forced to sell his shares and take his chance of the market price at the time. This feature was protested against by some of the British bankers who came before us, but we regard it as an essential principle which must be retained. I am in fact convinced that Indians will be able to secure

for themselves all that they desire in this matter and that to insist on any Statutory provision is to be regarded rather as a sign of weakness than of strength from those who support Indian national aspirations, among whom we include ourselves. Before I leave this point, I would like to remind Honourable Members of one practical illustration which bears out all that I have said. It is a fact now that a very substantial majority of shares in the Imperial Bank has actually passed into Indian hands. Mr. Shroff, who is very well acquainted with these matters, gave us an estimate that at least 65 per cent. of the shares of the Imperial Bank were now held by Indians. Now, if Honourable Members will realise that the Imperial Bank represents the successor of the three Presidency Banks which were originally essentially European institutions and that, for a long time, the Imperial Bank must be expected to carry on the traditions of those institutions, it is a very remarkable thing that already something like 65 per cent. of the shares have passed into Indian hands. If that is the position as regards a bank which was started at the beginning of the 19th century, I think Honourable Members may rest assured that there is no substance in their fears as regards a bank which is to be started now in the new conditions in the middle of the 20th century.

Then, I come to the points about proportions of Indian Directors. Members of the Committee wished to have two assurances; first, that out of the three principal executive officers, the Governor and the two Deputy Governors, one at least should, from the very beginning, be an Indian; and, secondly, that in nominating the first Directors of the Board under clause 15, the Governor General in Council should be bound to nominate a percentage of 75 per cent. of the voting Directors. On these points also, if there is any difference of view between us, it is not as regards the result that ought to be attained, but as to whether there should be a positive Statutory provision covering it. The latter, as I have already pointed out, raises great constitutional difficulties, but on these points I was able to give the Committee assurances, which I am only too glad to repeat now in the greater publicity of a debate in this House, which were considered satisfactory by the Committee. The first assurance is that in making appointments to the three posts of the Governor and the two Deputy Governors, the Governor General in Council accepts the position that at least one shall be a qualified Indian, and the second is that in nominating the first Directors the Governor General in Council will exercise his powers so as to ensure the proper representation of Indians. And I may add that on that point we are left in no doubt that Honourable Members opposite would consider that a proportion of 75 per cent. of the voting Directors alone represents a proper proportion of Indians. I think, therefore, that Honourable Members may safely trust the Governor General in Council on this matter, and in this connection I would remind them that, in the case of the power to nominate four Directors to the Board of the Imperial Bank, there has not been a single instance of a nomination being made of any but an Indian Director. It is in fact by virtue of that power that a substantial majority of Indian Directors has been at all times secured on the Board of the Imperial Bank.

Now, after this digression on rather wider issues, I must return again to clause 4 and point out that we made important changes there both as regards the distribution of shares among the various registers and by reducing the denomination of shares from Rs. 500 to Rs. 100 and the minimum voting qualification from Rs. 1,000 to Rs. 500.

[Sir George Schuster.]

I will now turn to clause 6 where we have made a very important change giving the Directors unfettered discretion, without the approval of the Governor General in Council being required, to establish a London office. Although we did not wish to commit the Bank at all times to maintain a London office—to make it obligatory to do so,—we felt, I must say, that at any rate at the outset it was practically certain that the Bank would wish to have a London office, and, therefore, we agreed that this should be left entirely to the discretion of the Directors.

Then, coming back, again, to clause 8, on which I have already said something, I have something further to say there, because it is in connection with this clause that one of the only two differences of opinion has occurred between Government members and the majority of the Committee; that is to say, as regards the limitations which are to be imposed by Statute on the qualifications of the Governor. In this case, as in the others, we are so entirely in agreement with the spirit underlying the recommendations of the majority that I greatly regret that there should have been any difference between us as to what should be stated in the Statute. I still hope that some means may be found for reconciling our views on this matter, views which are clearly expressed in the Committee's report and in our own dissenting minute on that point.

Then, turning to clause 9, we have made important changes there and have introduced a carefully thought out scheme for giving facilities to the shareholders to play their proper role in the election of Directors.

In clause 11, we have made another very important change to ensure the proper independence of the nominated Directors. There are a great many other important points in those earlier clauses, but I propose to leave Honourable Members to read about them in the report, and I will now turn to what I have called the business clauses.

Coming to clause 17 and the other connected clauses, I should like to say something about the general business of the Bank. It is in this connection, as I have already said, that I feel that the Committee has done the most important work. A central bank has to perform duties which are as intricate as they are vital to the well-being of the country. It must be in a position to control, in some measure, the conduct of every bank in the public interest, and it must be given powers sufficient to ensure that control. Yet it cannot do all the work for them. The commercial banks have a part to play in the economic structure which no central bank, charged with its special responsibilities for Government funds and controlling the note issue, can take over from them. So we are faced with the problem of creating a new institution which can control without competing; and the close investigation given to this by the Committee assisted by the expert witnesses has led to some very material modifications in clauses 17 and 18, designed on the one hand to equip the Reserve Bank to exercise more adequately that control and, on the other hand, designed to meet the apprehensions of the commercial banks that the Reserve Bank might compete with them in their normal commercial functions. Now, as regards the latter point, in certain cases,—and I just want to give one example, in the case of sub-clause (9) of clause 17,—we have not suggested any Statutory change in the powers of the Bank; but we have in our report stated our views as to the spirit in which the Bank should exercise those powers, and we hope that the Legislature,

by approving our report, will give an authority to these recommendations which will in effect ensure that they are observed in future by those responsible for the direction of the Bank. In other cases, as in clause 18 which gives the Bank power to go outside its normal sphere of business on special occasions, we have altered the wording so as to meet the apprehensions expressed by the commercial banks and to ensure that the exercise of these special powers shall not become part of the normal business of the Bank. These clauses 17 and 18 deal with the banking department and help to regulate the Bank's position as the bankers' bank and the controller of credit. Closely connected with them, one must consider clause 42 which deals with the relations between the Reserve Bank and the scheduled banks, the scheduled banks including, of course, all the banks of major importance in the country. The consideration of this clause, clause 42, has been one of the chief bits of the Committee's work. I do not propose to go into all the details which are fully explained in our report; but there are two principal points that I want to discuss. The first is the provision for compulsory deposits, and on this we had a very full discussion both with the bankers' representatives and among ourselves. On that particular matter conflicting views, some of which still find expression in one of the minutes of dissent, were held at one time in the Committee; but, in spite of these conflicting views, I think we may say that we attained a very wide measure of agreement as regards the final plan, which agreement included the support of all the banking experts who came before us. In fact the final proposal which has been adopted was based on an unanimous agreement reached by them in private discussion among themselves. On this question of compulsory deposits, I think it must be obvious to any one who considers the functions of a central bank that it must, if it is to perform those functions, hold substantial balances on behalf of the ordinary banks. To a certain extent that is elementary: the central bank is a bankers' bank and, as such, it must hold the balances of its clients. But, beyond that, it must, on the one hand, have some power to control the other banks, and, on the other hand, it must hold a pool of resources with which it can help those banks in case of emergency. Now, if the scheduled banks can claim those facilities and if, although they make those claims, they do not in practice keep adequate minimum deposits with the Reserve Bank, then the fear which must arise is that the improvement in the machinery involved in setting up a Reserve Bank may not lead to the orderly development of banking in India, but to a tendency to exploit those advantages by running on too fine a margin and relying on the reserve institution, not merely in emergencies, but as part of the ordinary daily position and relying on their power of recourse to the central bank in substitution for the banks holding adequate capital on their own account.

I have indeed been somewhat astonished to find that there is in some quarters the belief that the Reserve Bank will be able to conjure money out of nothing: it was even said to us in our discussions that there was no need for the banks to co-operate in finding the resources from which the Reserve Bank could provide assistance as and when required, because it could itself make all the money that was wanted. Such expectations—and, I am sure, Honourable Members really recognise this—could only lead to disaster. Indeed, I do not think that any serious thinker on this subject can dispute that it is essential that the scheduled banks should keep adequate deposits with the Reserve Bank, and the only questions which are really arguable are, first, whether those deposits should be made

[Sir George Schuster.] [Sir George Schuster.] Sir, I have been asked to say something about clause 42. First, what would be the size of those deposits which should be compulsory by Statute, and, secondly, what the size of those deposits should be. Now, on the first point as to whether there should be Statutory compulsion in this matter, it is, of course, well known that in those countries where central banks have grown up as a result of a long period of evolution, it is found possible to rely on the practice which has been established and the authority which the central bank of the country is able to exert for achieving the object without any Statutory compulsion. But the case is quite different in a country like India where we have to create this central bank *de novo*, and we are merely following the precedent of other countries which have recently established central banks and superimposed them on a well developed banking system, in making some minimum deposit by the scheduled banks compulsory. On the question as to what should be the size of the deposits, there, of course, is a good deal to be said on both sides, and we fully recognise the force of those who criticise provisions which they regard as excessive; for, if they are excessive, they can be criticised on two grounds: first, that they would unduly cripple the ordinary banks of the country, and, secondly, that they would embarrass the Reserve Bank by placing it in possession of funds which it might not be able effectively to use. Therefore, we had no rigid ideas as to the percentages which we had laid down and, it is on this point, that the banking experts who came before us helped us most, because, as I have said, after discussion among themselves, they put forward a unanimously agreed compromise, namely, to reduce the original percentages from  $7\frac{1}{2}$  and  $2\frac{1}{2}$  respectively to five per cent. and two per cent. That compromise we in the Committee were quite ready to accept, and we thought that on this basis it would be reasonable to start the whole system.

Now, the second point arising out of clause 42 to which I wish especially to refer is the question as to how provision should be made for the extension of the Reserve Bank facilities to indigenous bankers, shroffs, etc., and to the whole field of rural credit. It is impossible to over-estimate the importance that the indigenous banker plays in the whole of the banking and credit machinery of India. I think it would be no exaggeration to say that his part of the organisation represents, if anything, more than 90 per cent. of the whole; and it is unfortunately true that the links between the whole of this system and the modern banking system of India, in spite of the development of rural co-operative societies and in spite of the opening of one hundred new branches by the Imperial Bank of India, are still rudimentary and incomplete. I want to make it quite clear that we recognise that until the vast portion of India's banking and credit machinery, which is represented by the indigenous bankers, is put into gear with the relatively small machine of the modernised money market, with the Reserve Bank as its central control, it will be impossible for the Reserve Bank to exercise that full control of currency and credit of India which is understood as the function of a central bank in western countries; and it will be equally impossible for the masses of the people who populate the countryside of India to get the full benefits of credit and banking facilities on reasonable terms which a well organised system of banking ought to give. That, I believe, is one of the greatest problems of the future for India, and it is a problem which I at any rate personally feel must be thought of, not in terms of displacing the vast masses of indigenous bankers throughout the country, but of making the fullest use of them by adapting their methods so that they may fit in with the modern banking system and the central bank; but, unfortunately, it is a problem which we could

not possibly tackle in connection with this Bill. We could not tackle it in the sense of proposing any definite solution. I would remind Honourable Members that it was a problem that was very carefully investigated by the Banking Inquiry Committees, and yet they were unable to make any definite proposals on which action could at once be taken, but we felt that, although we could not tackle the problem immediately in the Bill, we certainly ought to do something about it, and we have taken what we believe to be the best step towards tackling it. We have proposed in a very important new clause, which is numbered 54 in the Bill, that the banks shall be put under a Statutory obligation to report in the shortest possible time, and, at any rate, within three years, on this whole problem and to make proposals for legislation. It has to report under two heads in this connection; first, as to the extension of the provisions of the Act to indigenous bankers, and, secondly, as to the establishment of a rural credit department of the Bank or the creation of other machinery for effecting a closer connection between agricultural enterprise and the operations of the Bank. I regard this as one of the most important contributions which the Committee has made on this matter. It may seem that it is rather halting progress, but I am convinced that this is the right way to tackle the problem, and that this is one of the strongest reasons for getting the Reserve Bank set up as quickly as possible, because I thought that this is the sort of problem which the Bank can tackle, of course with the full co-operation of Government better than Government alone. In tackling the problem, it will find available for it all the extremely valuable material contained in the Reports of the Central and Provincial Banking Inquiry Committees, and I hope that in this way we shall be able to reap some fruits of those Reports.

I want to mention in connection with this general idea two other special points, the question of land mortgage banks and the relations between the Reserve Bank and co-operative societies. As to land mortgage banks, I regard their establishment also as a problem which forms part of the general rural credit problem. It needs urgent consideration and the Reserve Bank organization will provide a most valuable instrument for its consideration.

Then, as regards co-operative banks, we considered on the Committee whether they should for all purposes be included with the scheduled banks, but although that particular idea received the personal support of one prominent Indian representative of co-operative banks who came before us, we considered ourselves hardly justified in taking this step at once and have contented ourselves with providing that co-operative banks should receive the same privileges and furnish the same returns as the scheduled banks. We recognised, however, that this first step might in future be carried further with advantage to all concerned, and that it is a matter which can be covered by the Bank's Report.

Then, I turn to another important clause which we considered as part of the business clauses with the bankers, namely, clause 33, which deals with the form of investment for the currency reserves. Here I would like to refer to one important recommendation which is embodied in this clause and elsewhere consequentially in the Bill, namely, that so far as sterling securities are concerned, these should be limited to sterling securities of the British Government, and that the Bank should not hold either the currency or the securities of other countries which are on a sterling standard. In these times of great uncertainty, this seemed to us, after careful consideration, to be the right course and a sound provision.

[Sir George Schuster.]

Then, of course, there is another difficult and important question which falls under the head of business arrangements, that is the relationship of the Reserve Bank with the Imperial Bank. Many of the points in this connection came before us in connection with the Imperial Bank of India (Amendment) Bill, of which I shall have to make a motion later, but, in addition, of course, we had to discuss it very fully in connection with the clause in this Bill, original clause 43, and the third Schedule. Here I think I need say very little, because our views and the reasons on which we came to them are very fully stated in the report. I may say that one is faced in this matter with the difficulty that, on the one hand, if the Imperial Bank is to perform the intricate and very responsible work which it has to perform and will have to perform for the Bank, it must employ staff with special qualifications and experience, and these can really only suitably be engaged under terms of an agreement. On the other hand, there was, I fully recognise it, and indeed share it to a great extent, a widespread feeling that, if the term of the agreement was too long, the conditions might be found to be operating inequitably for one or the other party long before its conclusion. We, therefore, made proposals for shortening the term of the agreement as originally proposed, and, at the same time, providing for a revision of the actual terms at the end of ten years and, thereafter, at the end of every five years if the agreement goes on. That finishes, I think, all I need say about what I call purely business clauses.

Turning from them, I shall deal with some of the more important matters which I have not mentioned. I would invite particular attention to the alterations which we have made in clause 30 which provide for dealing with the unfortunate possible contingency of the Bank failing to fulfil its obligations where we propose what we consider to be a much more satisfactory plan than was contained in the original Bill.

Then, I might go on to clause 36, because that raises a question the implications of which are of very far reaching significance, namely the question of how the silver holdings of Government are to be dealt with. It is, of course, a question which rather concerns the future policy of the Government than the policy of the Reserve Bank, because, according to the proposals in the Bill, the Bank will have no responsibility for the silver currency and will not be concerned with buying or selling silver, but, as this whole question arises as a result of proposals made in the Bill, we think it right that these results should be fully considered by the Legislature. The actual position now will be that, supposing the Bank were to be started tomorrow, the Bank would take over 50 crores of silver rupees and Government would retain the balance which at present is about 54 crores, and we have to consider what should be the policy for handling that balance and how, if any of it is disposed of, the proceeds should be accounted for. We have prepared a very carefully thought out scheme on that subject which we have submitted to the Committee in a memorandum which is attached to their Report, but the Committee—and it was no fault of theirs—had no time to give proper consideration to this memorandum and, therefore, merely attached it to the report for consideration by the Legislature. We, on the Government side, are very anxious that the Legislature should take this memorandum into account and express its views upon it.

Then, I come to clause 37 in connection with which arises the second of the points on which Government members have found it necessary to

express dissent from the Committee's report. In this case, as in the other to which I have already referred, there is again no real difference of opinion between us and the Committee as to the practical policy to be pursued in any circumstances such as cannot at present be foreseen. It is again only a difference of opinion as to the wisdom of imposing by Statute an absolute obligation on the Bank which will be binding on them in all circumstances.

Then, the next point I have to mention is in clause 39 where we have made a very significant change. Here, in deference to the advice of the bankers and on the unanimous view of the Committee, we have felt it right to retain for the Bank notes which will be issued by the Bank in the future the same unlimited convertibility into silver rupees which is a privilege now enjoyed by treasury notes. Theoretically there was a good deal to be said for taking this occasion to change a practice which is inconsistent with modern conceptions about bank notes, but we have recognised that special conditions prevail in India, and practical considerations outweigh these theoretical arguments.

Then, I come next to clauses 40 and 41, the exchange clauses. As to these, I must again repeat that we take our stand on the London Committee's Report from which the relevant passage is quoted in full in the Committee's report. The two sentences from this which I wish specially to emphasise—and I will not take the time of the House by reading the whole passage—the two sentences which I wish especially to emphasise are these:

"On this basis the exchange obligations incorporated in the Bill must necessarily be in accord with the rupee-sterling ratio existing *at the time when the Bill is introduced.*"

I want to emphasise those words particularly, because that recommendation was unanimously made and approved of by all the Indian members on that Committee. That is what we have done in the Bill. The second sentence is:

"The ratio provisions in the Bill are designed to make it clear that there will not be any change in the *de facto* situation by the mere coming into operation of the Reserve Bank Act."

Now, this is a clear and logical attitude, and I must emphasise what I have said before, that this is a Bill to create the machinery of a central bank for India, and not a Bill to deal with the ratio. The ratio clauses are merely incidental. They indicate the present position on which the machinery of the Bank is to be super-imposed. I must state quite clearly that we cannot regard the ratio issue as arising on this measure. If we had thought that our introduction of this measure was to be made an occasion for attempting to revise the present position, we should never have introduced the Bill at all. The particular question which we have to put to the Legislature is whether they want a Reserve Bank, and not whether they want the present ratio. We do not seek to get any new confirmation of that ratio from the Legislature. That already has Statutory force, and we do not seek or need to strengthen it.

The next point that I have to mention concerns the arrangements for the appropriation of the profits of the Bank, and that is covered by clause 44 of the original Bill and the Fourth Schedule. I might remind Honourable Members that the original plan provided for building up a reserve fund in a way which would have involved the absorption of a very substantial portion of the Issue Department's profits in the early years until

[Sir George Schuster.]

the reserve fund had been built up to five crores. Now, the profits of the Issue Department represent the currency profits which have hitherto formed an important item in the Central Government's budgetary revenue. These receipts, under a different name, will continue to accrue to the Government budget in the future. They will come in in the shape of a share in the profits of the Bank, for, as Honourable Members will appreciate, subject to paying a dividend to the shareholders which cannot exceed a maximum of Rs. 30 lakhs per annum, the whole of the profits of the Bank will accrue to the Government. But if, in the early years of the Bank, a substantial portion of these profits has to be diverted to the building up of a reserve—and it might quite well amount to a diversion of 1½ to two crores of Government's ordinary revenue—the result would be a very considerable budgetary embarrassment to Government which would come just at a time, namely in the first years of the new Constitution, when such an embarrassment was particularly undesirable. This result seemed to us to be not only unreasonable, but likely to have reactions which might themselves defeat the very object of the whole plan. We, therefore, devised a plan which seems to us not only to be financially justifiable, but also a plan which will put the Bank into a much more satisfactory position. We propose in fact that Government shall, from the very outset, transfer to the Bank over and above the rupee securities required to provide backing for the note issue a further bloc of five crores of Government securities probably in the form of treasury bills. Now, that transaction will not embarrass the Government in any way. The securities can be created; Government will, of course, add that amount to the public debt and will be responsible for the interest on that sum. But, on the other hand, it must be remembered that interest on that sum will accrue to the Bank and, therefore, indirectly will come back to the Government's pockets. This course appears to be the more justifiable when one considers what the main object is for which this reserve fund is required. It is required mainly to provide a fund which can be drawn upon to make up any depreciation which may accrue in the market value of the Government securities held by the Bank. Honourable Members will appreciate that the reserves must exactly cover the nominal amount of the note issue and those reserves must be kept up from day to day at their full market value. If, on the 50 or 60 crores of Government securities which the Bank may hold in its reserves, there is a depreciation of, say, one per cent, then at once the Bank would have to set aside 50 lakhs from its reserves so as to keep the figure up to its right level. For that purpose it should have a reserve fund, and indeed it should have that fund from the very beginning, and our proposal will ensure that it is a fund of that kind available from the beginning. The result is that allocations to reserve fund will not be made from the profits of the Bank, and, therefore, will not embarrass the budgetary position of the Government except in so far as allocations are necessary from year to year to keep the fund up to its original amount of five crores.

1 P.M. provisions for giving effect to that arrangement are contained in the new clause 46 and clause 47, which represents the original clause 44.

Then, there is another important point to which I must just refer. That is the new clause 48 which clears up the position as regards the Bank's

liability to Indian income-tax. As regards British income-tax on investments in British securities, including, of course, sterling bills, I am glad to be able to state that the British Government have agreed to exempt the income of the Issue Department of the Bank in England from liability to British income-tax. At present, of course, when profits accrue to Government from the investment of funds held in the paper currency reserve or the gold standard reserve in British securities, we are not liable to income-tax, because they are regarded as receipts of the Government, but when those receipts become the receipts of a bank, which is a private institution as opposed to the Government, there might be some question of liability to income-tax; but I am glad to say that that question has now been disposed of and, as regards the provisions for Indian income-tax, we have thought it right to provide that the Bank as such should not be liable to income-tax, but that the shareholders, who receive dividends from the Bank, should, of course, be liable to tax just as holders of Government securities are liable.

Then, I have only one more point to mention. I come last, and appropriately last, to the provisions to apply in the case of the liquidation of the Bank, an event which I hope it is not necessary seriously to contemplate. These provisions are contained in what was formerly clause 51 and is now numbered 56. We link this up with clause 30, to which I have already referred, and we have added an important proviso according to which the amount which the shareholders can get on liquidation of the Bank should not be unduly large in the event of an early liquidation of the Bank. We propose in fact that the premium to be received from the shareholders on liquidation shall not be more than one per cent. for every year for which the Bank has been in operation, with a maximum of 25 per cent. So, if the Bank were liquidated at the end of 15 years, the shareholders could not get more than Rs. 115 for every Rs. 100 that has been put in. This seems to us to be a fair provision, and it is a provision which becomes all the more necessary if the proposal to which I have just referred of starting off the Bank with a reserve fund of five crores presented to us is adopted.

Sir, I am afraid, I have taken a great deal of the time of the House in describing these new features introduced on the recommendation of the Joint Committee and, even so, I have only mentioned a few of them. I have, however, done so with a deliberate purpose, the purpose of emphasising the importance of the work that has been done and the significance of this measure. I believe that it is now a well balanced measure, carefully designed, taking advantage of the latest experience of other countries and taking into account the special conditions of India. Working on this measure has made me realise, in a way which I must confess that I have never done before, how important it is to set up in India machinery for performing all these functions, how important it is that the control of currency and credit in India should be put under a single directing body and that that body should not be the Government with their necessary rigidity and detachment from the business world, but a business organisation in touch with the main business centres, and commanding the confidence, as I hope it will, of the entire business community of India. In this spirit, I commend this measure to the House. Let them deal fairly with it and with a broad outlook.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Motion moved:

"That the Bill to constitute a Reserve Bank of India, as reported by the Joint Committee, be taken into consideration."

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair proposes to ask Mr. B. Sitaramaraju to move the amendment that stands in his name. It is understood that Mr. K. C. Neogy and his friends do not desire to move the amendments that are tabled in their names. After Mr. Raju moves his amendment, the discussion will be thrown open both on the original motion and on the amendment.

**Mr. B. Sitaramaraju** (Ganjam cum Vizagapatam: Non-Muhammadan Rural): Sir, I beg to move:

"That the Bill, as reported by the Joint Committee, be recommitted to the Joint Committee for the purpose of making adequate provisions in the Bill to serve rural credit on the analogy of the Australian Central Bank."

Sir, this is the second time the report of a Joint Committee of both the Houses of the Central Legislature to constitute a Reserve Bank for India has come up before this House. In welcoming that report, Sir, our feelings are not very different from those of a father on the return of his prodigal son. Sir, this morning Sir George Schuster advised us to take a very broad view of this matter. Well, I for one promise that I do want to take a very broad view of this matter, in respect of which I share the general interest which everyone in this House takes in a measure of this kind designed to constitute a Reserve Bank for India, and, I feel, I have, in common with those well-wishers of the country, particularly of the masses of this country, a special responsibility. It is not only Governors and Governors General who can be said to have special responsibilities: we in our humbler capacities also have our special responsibility,—a responsibility for safeguarding and promoting the welfare of the masses of this country. In the discharge of that duty, I desire to examine these proposals in the final form in which the Joint Committee have recommended them and see how they are framed so as to be really useful to the country as a whole and to render satisfaction to what I consider to be the most predominant claim for consideration, namely, the services which a Reserve Bank can render to what may be called "agricultural finance". Sir, this morning the Honourable the Finance Member was pleased to state that that was an aspect which did require some consideration. He has given the reasons why it could not be done now. Though I share with him his regret that it could not find a place here, I regret I cannot share the same view of the reasons which have led him to postpone the consideration of this point. Sir, it cannot be gainsaid, having regard to the agricultural character of the internal economy of our country, notwithstanding the inarticulate nature of the claim, the claim of the masses for service is nevertheless, I consider, the predominant claim for our consideration.

It is from that standpoint that I have tried to study the usefulness of this measure, and it is from that standpoint that I propose to examine it.

Sir, from the moment the London Committee was constituted down to the present time, the measure is treated as though it was the concern of bankers and of businessmen and of them alone. Sir, one of the functions of that Bank, no doubt a primary function of that Bank as a bankers' bank, is over-emphasized, while other functions are either neglected or relegated to the background. Our conception, Sir, of a Reserve Bank, on the other hand, is much wider than that. While the function of a bankers' bank is a very important function, there are other functions which are equally if not more important. I am not forgetting even for a moment the weighty words which were uttered this morning by Sir George Schuster. On the other hand, I feel happy, because they have given me, in the view I have taken, that strength which I very much appreciate. But if this Bank is to be, as it is now proposed to be constituted, viewed purely from the point of view of a bankers' bank, it will certainly be a merely glorified Imperial Bank and its usefulness will be no more than that Bank. Sir, everything that is now said of this Bank as a bankers' bank was also said of the Imperial Bank when it was first constituted. In the Despatch of the Government of India, they said, they had very great expectations of the role which the Imperial Bank would play on that occasion as a bankers' bank. In that Despatch the Government of India expected a great deal from the Imperial Bank. They expected that it would mobilize the capital of India and they said that it could not be expected that the number of banks in up-country districts could be largely increased and placed on a satisfactory footing unless there was a powerful bank to which a sound institution could turn in times of trouble and to which it could look for guidance on its general financial policy and they anticipated that it would serve as a bankers' bank more effectively than the old Presidency Banks and they hoped that the Imperial Bank would form a solid background, necessary for the healthy development of the various forms of banking—agricultural, industrial, and ordinary joint-stock, etc., of which this country is so much in need. Through the multiplication of its branches, and with the aid of the Government balances placed at its disposal, they thought it would help the money market in times of need. Sir, we all know, it is common knowledge, how those expectations were actually realised. I do not for a moment wish to minimise the importance of the interests of businessmen and bankers in this measure. But however important they be and however affluently circumstanced in life the bankers and businessmen be, their interests are secondary to the claims of the nation as a whole. It must be admitted that our nation is a nation of agriculturists and in a measure which is primarily intended to unify the control of currency and credit, having regard to the agricultural character of the internal economy, the claims of the inarticulate masses for credit facilities and service must be admitted to be all-important. For generations the cultivator had been under the grip of the indigenous banker whose usurious policy would put even a Shylock to shame. I was feeling a little nervous this morning when Sir George Schuster said that he would make a special study of the indigenous bankers and follow the methods pursued by them. Probably he did not mean what was uppermost in my mind. But, Sir, we know it perfectly well that the indigenous bankers policy has been very detrimental to the well-being of the agricultural population. There is probably no other country in this world

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where this system, which has led to unparalleled poverty and economic distress and also economic servitude, is allowed to thrive at rates of interest even as high as 75 per cent. Half-hearted legislative measures proved a failure. While other nations turned out the Indian *sahukar* bag and baggage, the *sahukar* is still uncontrolled at home. The co-operative movement for short term credit is only playing the role of a barber who can only shave the unwanted growth of the day, but could provide no relief for the chronic indebtedness which is following the cultivator like the curse of Cain from generation to generation. As if this hereditary load was not enough, the cultivator is, by the unprecedented drop of prices of primary products, faced with unparalleled misery and distress, because even the little gold that he ever was able to secure is being sold to procure for him the bare necessities of life. All this misery cannot be attributed solely or even mainly to world conditions. If an earnest and a sincere attempt is made, this Reserve Bank Bill can be so framed as to render considerable relief to the cultivator and that can be done in two directions where he needs it the most. Firstly, by taking your hands off the rupee and allowing the cultivator to obtain for his produce the price he would have obtained but for your arbitrary and unjustifiable interference. Secondly, by mobilising the agricultural credit under the aegis of this Reserve Bank in the manner in which countries like Australia have done.

With regard to the question of ratio and the linking up of the rupee with the sterling, a great deal has been said on the floor of this House and a great deal has also been said in the country. If I were to speak at any great length on that subject, I would only be repeating arguments which have become very familiar to you. But this much I must say that the acceptance of the proposal of the Government even as a temporary measure is both unsound and against the considered verdict of this House. Further, the postponement of the consideration of a suitable monetary standard in a measure which is primarily intended to secure monetary suitability is like a marriage without a bride. Whatever may be the justification for the proposal to postpone the consideration of a suitable monetary standard pending the world recovery, whatever may be the justification to refuse the divorce from the matrimonial bondage between rupee and sterling as inopportune now and however well placed may be the confidence that there would come a time when a dissolution of that marriage could be accomplished, there appears to be no justification whatsoever for the maintenance of the ratio so arbitrarily determined by the Government, to maintain which the primary agricultural producers of this country have been and are being sacrificed. Although the Indian delegates to the London Committee have opined that a suitable exchange ratio is an essential factor for the successful working of the Reserve Bank, the majority of the Joint Committee in their report say this and it was practically endorsed this morning by Sir George Schuster:

"The Government Members have made it clear to us that their intention in introducing this Bill is merely to create the machinery of a Central Bank and not to ask for any special confirmation from the Legislature of the present ratio. We are prepared to accept the view, therefore, that the ratio issue does not arise in the present Bill."

Sir, this remarkable statement of the Honourable Members of the Joint Committee is an index of their inability to give an unfettered judgment on such an important issue. One would like to know what they really think would be the effect of enacting clauses like 40 and 41. By the Currency Act of 1927, the rupee was valued at 18d. gold. In September, 1931, when Great Britain went off the gold standard, it was tacked on to the 18d. sterling, and that was done not by any legislative sanction, but purely by executive action. Thereafter, you, Sir, have done a great service to the country by yourself moving a Resolution disapproving that link between sterling and the rupee. That Resolution of yours was accepted by the House. So far not only there was no legislative sanction for the 18d. sterling ratio, but there was before the country the verdict of this House that it was not conducive to the welfare of the country as endorsed by this House. Under this Bill the Currency Act is being repealed. If today clauses 40 and 41 are passed, for the first time legislative sanction would be given to the 18d. sterling ratio which was arbitrarily fixed, as I have said already, by executive action and without legislative sanction. The upper limit also which was fixed in clause 41 at £0-1-6 3/16d. is equally arbitrary. "Special confirmation was not wanted from the Legislature", says the majority report, "and that the ratio issue does not arise in this Bill". It was very difficult for me to understand that proposition. They say so, because the Government spokesmen say so, but they have not realised for themselves that the intentions of the Government under clauses 40 and 41 are to maintain the 18d. sterling ratio in which the Government are interested and this could have been gathered without any effort unaided by the spokesmen of the Government. If it were not so, the banks exchange operations would certainly have been provided under sub-section (3) of section 17 by so modifying that sub-section as to enable during the intervening period between now and the time when the present basis of our monetary standard is finally decided upon, the banks should be free to purchase and sell gold in currencies of such countries as may be in that bank's discretion deemed necessary with a view to having an adjustment in the general level of prices. These two clauses, 40 and 41, if passed into law, whether the intention of the Government behind these two clauses is direct or indirect, would continue to affect the economic well-being of a large class of my countrymen, called the agricultural population in this country. The internal conditions are such that by passing these two clauses we would be lending support to the wrong already done to the agricultural population of this country. Even temporarily if the ratio is 18d. sterling and is allowed to continue notwithstanding what our rulers may decide hereafter regarding our ability to change that, it would mean a continued lower and unremunerative price level for India. More than 75 per cent. of the population of this country are agriculturists. There has been unprecedented drop of prices causing widespread misery and distress. That the ratio and the link with the sterling has definitely proved to be a bar and a hindrance to the rise in prices is common knowledge. Great Britain, America and Japan have departed from the gold standard slowly with the idea of self-preservation, while in those countries the external value of currency is made subordinate to the requirement of domestic trade conditions and price levels; in this country its external value is determined arbitrarily by Government. It is recognised by all, even by the British manufacturers themselves, that the purchasing power of the masses in India should be increased by higher commodity prices,

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and this could only be secured by allowing the rupee to find its natural level. An over-valued rupee is highly detrimental to the primary producers of this country, as it means that the domestic price of commodities will be proportionately lowered and to that extent the economic distress is the artificial creation of the State, a State not governed by Indians. India's need is the rise in price of raw materials and foodstuffs. The British requirements on the other hand are reduction in the cost of industrial production by obtaining cheap raw materials and foodstuffs. Those conditions which influence the British authorities are not only different from, but even opposed to, those which can be said to promote the interests of this country. The other day, the Secretary of State for India stated in the House of Commons that the exports of privately owned gold and the link with the sterling at 18d. ratio had been of the highest advantage to India. According to him it is not even a mere advantage, but it is of the *highest* advantage. Who says so? It is the all highest, the great Mughal in London. How it is an advantage to us, it is for Honourable Members to discover. Probably you will discover that the advantage lies in the fact that the ryot, faced with this abnormal fall of prices for his crops, need not trouble himself either with the crops or sales, and he, having parted with his gold, can be as happy as a beggar having nothing to give or to lose. To be serious, the over valuation of the rupee, the inter-racial marriage with the sterling and the export of gold have proved beyond question to be detrimental to the economic well-being of the country as a whole. My friend, Mr. Jamal Mohamed, has sent to all of us thundering wires about this. He says, and I dare say when he says this, he has the whole of Indian rural population behind him:

"Present exchange ratio keenly aggravating intensifying depression ruinous to country's agriculture industry commerce destroying peoples purchasing power as regards both indigenous agricultural product and manufactured articles fearfully sapping country's vitality its continuance will land country into irreparable economic ruin implore you do your utmost best to save poor country from such irreparable but sure ruin by bringing about devaluation lower ratio suitable to country's supreme interests."

Sir, this apprehension of Mr. Jamal Mohamed is shared by every reasonable and responsible Indian in this country. It can be shown of course,—I do not deny it for a moment,—that in some directions this ratio had been also proved advantageous to us. Sterling obligations, the possibility of additional taxation, and things like that have been advanced. But, Sir, the greatest good to the largest number of people, and that of what kind of people? People who are so poor as cannot least bear the strain of this, is my justification for a revision of this policy as the preponderating balance would certainly be in favour of such a revision. Japan, America and Britain made every effort to conserve their gold followed by currency depreciation as the only way to tide over the depression and withstand international competition. India is not given the same advantage. For what reasons did America, Japan and Britain put an embargo on gold and engage in a race of currency depreciation? Why, what is good for them is not good for us! While those countries are preserving their international energy in the form of actual gold, we are made to lose it. While their internal prices and trade requirements are made to improve by depreciation, we are made to keep at the point of the bayonet a high artificial value for our currency. Even if trade revives tomorrow or in the near future, we will still have the misfortune to record very low prices."

Sir, that is the first aspect of my grievance. The second aspect of my grievance is that no provision has been made in this Bill to serve rural credit as was, for instance, done in the case of the Australian Central Bank. I will come to clause 54 and I will also deal with the remarks made this morning by the Honourable the Finance Member. In this Bill, of course, there are some like provisions which have certainly misled some of our friends into believing that the needs of agricultural finance are all provided for. These provisions, Sir, merely take note of the fact that there is such a requirement as that of agriculture. They merely recognise the right for service, but they do not provide the service itself. Such service as is incidental to purely banking functions has been provided for, and the one relief which the agricultural character of the internal economy demands is made conspicuous by its absence. As an afterthought the need for the establishment of a rural credit department was felt during the late sittings of the Joint Select Committee for the purpose of serving agricultural finance, but when it came to translating into concrete proposals, the Honourable gentlemen of the Committee evidently felt that it was too small a matter for them to make the necessary provisions themselves, but considered that it should be left to the Reserve Bank itself to do the needful if the Bank has any mind to recommend this being done. This morning the Finance Member was pleased to state that a statutory obligation was imposed upon the Bank to create this department. I am afraid the language actually used in this clause does not bear out that meaning so far as I can understand it. What the clause says is this:

"The Bank shall, at the earliest practicable date, and, in any case, within three years from the date on which this Chapter comes into force, make to the Governor General in Council a report, with proposals, if it thinks fit, for legislation, on the following matters," etc., etc.

I particularly want Honourable Members to note these words, "If it thinks fit". Where is this statutory direction that they should do it? If the Bank does not care to open a rural credit department, they are perfectly competent under this clause not to recommend it, because that discretion fully and completely rests with the Bank itself. Therefore, according to the actual proposals made by the Joint Select Committee this matter was left to the discretion of the Bank itself, but they have not realised that this important branch of service cannot be properly left to the will and pleasure of the Bank itself. If this Reserve Bank is to be really useful to the country, which, as has been already stated, is mainly agricultural, and since more than 65 per cent. of the credit of the country is under the grip of the indigenous banker, and if this institution is to afford credit facilities, under this Bill you cannot ignore that and 65 per cent. of credit facilities left unprovided for. Sir, as I have said, this 65 per cent. of the credit of this country is in the grip of the indigenous banker who is the buyer, the lender and the seller, all rolled into one. The service to rural credit, therefore, on the analogy of Australia, is not only necessary, but very urgently called for. If that service is denied to us under this Bill or even if it is left to the sweet will and pleasure of the Bank itself, this Bill is no good to us. Far from relieving the cultivator from the grip of the *sahukar*, you will only be providing new task-masters for him. Financiers in India and financiers in London are evidently thought of. Between the indigenous *sahukar* and the foreign *sahukar*. But between the *banias* at home and the *banias* abroad what

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chance have you provided for the large class of my countrymen to have one full meal a day? The economic bondage and the servitude of the agricultural population is unparalleled and although it may not be necessary for me to bring in the analogy of any other country, I am still bringing in the Australian example of service to rural credit. In Australia, the Central or the Reserve Bank is made to recognise that its service to rural credit is just as important as its orthodox banking functions. Under the Australian Act, a separate rural department has been created under the Reserve Bank. I do not propose to read out all those provisions at length, but I do draw particularly the attention of this House to three or four provisions which would indicate to them the way in which the Australian Government are satisfying the needs of rural credit. In section 60 ABB it says:

"For the purposes of this part there shall be a Rural Credits Department of the Bank, which shall be kept distinct from all other departments of the bank."

Under the next provision, the Treasurer may, from time to time, out of the monies legally available lend to the Rural Credits Department such sums for such purposes and at such rates of interest as are agreed upon by the Treasurer and the Bank. Then there is another provision which says that 25 per centum of the net annual profits of the note issue department shall be paid into the Rural Credits Department until the amount so paid reaches a total of £ two millions. There is another provision by which the Bank was permitted to issue debentures of various kinds, and then also there are provisions under this section which give a certain latitude to the Bank itself to render necessary service. So much about the Australian example. This morning the Honourable Sir George Schuster was pleased to state that there were certain references about this aspect of the needs of the country to be provided for under the Reserve Bank, when he said that some Banking Inquiry Committees referred to that aspect. If a little more attention is paid, I am sure, there would have been a great deal of help received from the reports of the Central Banking Inquiry Committee itself to do the needful in the matter. The majority report of the Central Banking Inquiry Committee dealt in a way with this aspect of the case. They said:

"The question whether the structure should not be completed by an all-India co-operative bank as an apex has often been considered, but we think that, when the Reserve Bank is established, the need for an apex bank for the provincial banks will no longer be felt as the provincial banks will then be provided by the Reserve Bank with all the financial facilities required by them."

But in the minority report on the other hand they had dealt with the problem in greater detail. I would particularly like to read a few passages where they have also attempted in a way to draw the constitution of such a department. I would also draw attention to certain facts from that report which I feel sure Honourable Members would like to know. The minority report says:

"The figure of rural indebtedness in British India has been estimated by the provincial committees at 876 crores of rupees. The position of the *mahajan* or the *sahukar* as the universal financier in India for the agriculturists is brought out by the provincial committees. Public opinion in India has been in favour of measures for making available for the agriculturist long term accommodation at a reasonable rate and on reasonable security."

Then they say:

"The object of State policy should be to extract the cultivator from the morass of heavy interest rates, semi-slavery and helplessness and lead him to a position of solvency and freedom from debt."

They further say:

"The supply of capital in agricultural districts is inadequate. Inadequacy is demonstrated by the rates, which are charged for loans. . . . The co-operative movement can never replace the money lender in general, and the agriculturist money-lender in particular. Steps should be taken to bring down money rates all along the line. This will affect all contracts, including those between the agriculturist money-lender and his client. . . . There is no special object in land mortgage credit being made available only through the co-operative movement. Funds for mortgage credit should be raised by debentures, but it would not be easy for private enterprise to do so, unaided."

Then they say:

"In order to work the scheme on a sufficiently large scale and to safeguard the interests of Government, who guarantee debentures, a land mortgage department would have to be instituted in connection with the Reserve Bank to do the following."

And then they give a number of details which Honourable Members may not like to be read out now. Finally they say:

"The Reserve Bank would also be able to place land mortgage debentures guaranteed by Government, on foreign markets. If a land mortgage department is created with the Reserve Bank, there is no need for an apex land mortgage bank in each province."

The Government had, the Committee had, every one in the country had before them these recommendations. They had before them the example of countries like Australia also, and they knew perfectly well that in giving credit facilities you cannot reasonably exclude a large population, particularly when you consider that they are under a great bondage, and that that credit forms nearly 65 per cent. of the total credit supply in the country. The omission to make the necessary provisions is sad. This Australian example and the indications given in the Banking Inquiry Committee's reports give us a good guide. I do realise that in working out the details the needs of the country should be particularly emphasised in a suitable manner. While the short term credit system under the co-operative banks is useful only for day to day requirements, the chronic indebtedness and misery of the cultivator can only be relieved by long term credit policy. Land mortgage banks for long term credit are thought of as the only means. I was very glad to hear this morning that Sir George Schuster also had that view—though according to him the present is not the time—that in future at any rate both these land mortgage banks for long term credit and the co-operative banks for short term credit should be brought under the Reserve Bank. The same broad view also was taken by his predecessor, Sir Basil Blackett, who, speaking in this House on the 10th February, 1927, stated as follows:

"The Reserve Bank, I think, ought certainly to be an extremely useful institution for the purposes of the provincial co-operative banks, but I think it would be a more useful institution than a single co-operative bank for the whole of India. I do not know whether that answers to some extent the implications of my Honourable friend's (Mr. T. Prakasam's) question. I do not think that the co-operative banks should come under the same category as joint stock banks and be asked to place with the Reserve Bank, as a matter of legal obligation, a proportion of their time and demand liabilities. But that the Reserve Bank should, through the co-operative banks, use its influence for the advancement of the financial interests of agriculture and the agriculturists is, I think, most desirable, and I hope, when it comes into existence, it will do a great deal to advance the interests, through the co-operative banks, of agriculture, of the marketing of produce and the facilities for agricultural loans generally."

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It will thus be seen that he also took the same broad view as the Honourable the Finance Member of India today has taken, that the Reserve Bank should provide for rural credit. But the Honourable Sir George Schuster feels certain difficulties which he thinks are insurmountable now to give effect to that; but, Sir, I am afraid I cannot take the same view as he does. The matter has been, as I have already said, for a long time before the country, and if this institution is to be really useful to give credit facilities to the people, and if it is to be really useful to the country as a whole, then I think that the time has come that a suitable provision should be made for this in the present measure. The Honourable the Finance Member expressed the hope that the country should encourage the establishment of these land mortgage banks. My friend, Mr. Das, as usual got up this morning, when Mr. James put a question regarding land mortgage banks and asked "what about Orissa"? I do not know whether he actually said Orissa, but anyhow he got up and I think Orissa was in his mind. . . . .

**Mr. B. Das:** What about other provinces?

**Mr. B. Sitaramaraju:** Sir, land mortgage banks were established in this country, even before the Banking Inquiry Committee made their recommendations on this, in Madras, Bombay and the Punjab, but my friend, Mr. Das. . . . .

**Mr. B. Das:** I was trying to profit at your cost.

**Mr. B. Sitaramaraju:** Sir, I welcome the day when Orissa gets a land mortgage bank as soon as it becomes a separate province. If there can be any institution which can be really useful to the country and to large classes of agricultural people, it is the land mortgage bank, and I am sure that the same facilities which were wanted in Madras would be provided in other provinces including the future province of my friend, Mr. Das.

**Mr. B. Das:** Thank you.

**Mr. B. R. Puri (West Punjab: Non-Muhammadan):** You want to leave us behind?

**Mr. B. Sitaramaraju:** But Punjab stands much more in need of it and has already got these banks established. But, Sir, as I have said, in this country the province of Madras for the first time established a land mortgage bank, and the Government of India have, far from showing any appreciation of the efforts made to better the conditions of the rural population, not only declined to translate their sympathy, so often and so profusely expressed for the poor cultivators and the masses, but have refused so far to give liberty of action to the Government of Madras in such a small matter as declaring this as a trust security after having refused to undertake legislation themselves, although Bombay had the fortune that its co-operative securities should have been declared as trust

securities. But so far as Madras is concerned, nothing has been done by the Government of India although very nearly four years have elapsed since the land mortgage bank was established and for the last two years the Government of Madras was pressing for recognition of their debentures as trustee securities. All that we are promised today is that the matter will be discussed with the Finance Member in his Chamber. One of the complaints which the President of the Land Mortgage Banks in Madras made was this—and it is contained in this small book which was issued by him.

"It is understood"—

I do not know how far it is correct,—but this is what he says:

"It is understood that the Government of India have an idea that the debentures of this bank are unsound, that the Imperial Bank may be embarrassed by being asked to lend on the securities of this bank."

And he asks further—

"if any objection has been raised by the Imperial Bank, will the Government of India place the interests of the Imperial Bank before the well-being of the agricultural classes? At a time when the whole question of finance under the new Constitution is under discussion, it will be unfortunate if an impression is created that the Government would prefer the interests of the banks to those of the agriculturists."

Sir, these are the very moderate words of the very moderate politician, the President of the Liberal Organisation of this country, Diwan Bahadur Ramachandra Rao. Therefore, when that is the way in which the Government are looking at this matter of such great importance to the well-being of the agricultural population, what a poor chance there will be if this matter were left to the Reserve Bank to do what it deems fit, and particularly to a Reserve Bank which, according to the proposal now before us, is to be a bank of the shareholders type, what earthly chance can there possibly be that the Reserve Bank will help the agricultural population of this country? Now, Sir, the interests involved in this matter are really so great and so important to the country at large that I do press that this matter must be considered here and now. As was done in the case of the Australian Act. I do say that it is absolutely essential that we should have forthwith a separate department to deal with rural credit. There can be no possible objection to create forthwith a separate department, and that separate department may be divided into two distinct groups as was indicated this morning by the Finance Member,—one into short term credit for co-operative banks and the other for long term credit of the land mortgage banks. These two departments are, I think, absolutely essential in the interests of the agricultural population, and these may be managed by a committee of three persons, one a Director of the Reserve Bank, another a representative of the co-operative association, and a third a representative or nominee of the co-operative societies. This committee will be responsible to the Central Board of Directors of the Reserve Bank. This would serve for co-ordinating the various parts of the co-operative organizations and serve as an Imperial Board of Co-operation as suggested by the External Capital Committee, to co-ordinate the working of the

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movement and facilitate the supply of funds. The External Capital Committee, Sir, with regard to credit facilities stated as follows:

"The increase of credit facilities on thoroughly sound lines is a matter of no less importance. Necessary safeguards against the dangers inherent in artificial facilities should, of course, be provided, but there is scope for material improvement in the machinery for the provision of credit. At present miscellaneous credit facilities are afforded to agriculture, either direct by Government or under Government control, by means of *takari* advances and through the provincial co-operative banks, and many schemes have been suggested for the extension of long-term credit to industries either by direct Government assistance or through land and industrial banks. These all appear to us to require co-ordinated examination, especially those relating to agricultural credit, so that they may be woven into the fabric of a general banking system."

Sir, in Japan, France and Germany such central organisations are in existence. A recent writer, Mr. M. R. Darling, in his work, "Co-operation in Germany, Italy and Ireland", proposes that such an all-India department should be brought into being. At the time when he was writing the book, there was only the Imperial Bank, and he suggested that even when there was only the Imperial Bank it should be a part of the Imperial Bank under the control of the Government. Now, Sir, as we are going to have a much greater, a glorified Imperial Bank, or a Reserve Bank which is expected to give credit facilities and serve as a bankers' bank, the co-operative central banks can be co-ordinated under this special Rural Credit Department.

With regard to the long-term credit, the same remarks which I have made about co-operative credit would apply regarding management by a similar committee of three. It can deal with the issue of debentures on which the land mortgage banks receive their sustenance and supervise the credit and control of these banks. If the Reserve Bank were to issue these debentures, as it would be in intimate contact with the money market, it can know best the time and opportunity most suited for such issue and be able to tap wider sources of finance. As this will be a distinct branch of service and different from the commercial banks in their orthodox commercial and banking functions, the orthodox notion of short-term credit policies have no application. With regard to the supply of funds, I would like the same provisions as were made under the Australian Act.

I do not claim to have completed a satisfactory scheme. Any suggestions or modifications can be made in the Joint Committee. I am moving this amendment, because it may be said, if amendments are moved in this House, that it will not be possible for it to go into the whole of this question and arrange a suitable scheme unless the matter is dealt with in a Committee, but in case the House were to come to the opinion that it should be done by way of amendments, I have already given notice of certain amendments and I shall then deal with them if it be the desire of the House that it should be so. I am prepared to go to any length with regard to any change provided the principle which I have been trying to impress upon you of providing a separate rural department is accepted by the House. This service to rural credit and a suitable ratio are of such supreme importance that you cannot delay any longer, but they should be done here and now.

There is also another matter. Even the consolation in the assurance given in the preamble that permanent measures can replace temporary provisions is not available to us since the Secretary of State's evidence,

notwithstanding the thin coat of whitewash the Finance Department communiqué gave it. For all practical purposes it makes no difference whether the power to permit modifications or change in the Bill is vested in the Governor General or the British Parliament. The Governor General is, after all, an agent of the British Government, and, as such, cannot ignore the interests of British financiers and is bound to follow the directions of His Majesty's Government. In the Statement of Objects and Reasons it is acknowledged that this measure is in accordance with the recommendations of the Federal Structure Committee of the First Round Table Conference. Did the Federal Structure Committee give any justification for the views now entertained by His Majesty's Government? On the other hand, they are contrary to what was stated by British Delegates and understood by Indian Delegates, because if you turn to the Report of the Federal Structure Committee, at page 265, Sir Phiroze Sethna says as follows:

"If that is done, and if currency and exchange are placed under the Reserve Bank, I should like to know from the Lord Chancellor what is contemplated in this paragraph; whether the Reserve Bank will be under the control of the Legislature or whether the Governor General will again have power to interfere. If he has, it will be a serious matter. For instance, the Reserve Bank might decide to alter the rate of exchange. As you are aware, the Government of India have blundered in that matter most egregiously. In 1898, the exchange was fixed at sixteen pence. In 1920, it was 2s., and it is now 1s. 6d. All India believes that this rate involves a loss of 12½ per cent. to the ryot, which runs into millions every year. India would like to change it. Sir George Schuster said recently at Calcutta that for the credit of India he could not possibly agree to any change, but if the Reserve Bank is of opinion that it should be changed in the interests of India, I trust the Governor General will not have power to veto it . . . ."

**Mr. K. G. Neogy** (Dacca Division: Non-Muhammadan Rural): Is he (Sir Phiroze Sethna) rebuked by any chance to the gentleman bearing the same name who did happen to be one of the signatories to the London Committee's Report? (Laughter.)

**Mr. B. Sitaramaraju:** He is the same gentleman, Sir. And Sir George Schuster is the same gentleman as our present Finance Member. Sir Phiroze Sethna continues and Lord Reading then says:

"I trust the Governor General will not have power to veto it.

I cannot but think that there is considerable misapprehension as to what is suggested in this paragraph, and indeed throughout, as to the financial safeguards, as they are termed, and in particular I do think Mr. Jinnah was a little carried away when he said that under this the entire financial control would be in the Governor General."

Further down he says . . . .

**Mr. B. Das:** But our Indian Delegates say nothing in the London Committee's Report! What is the use of reading what Lord Reading said?

**Mr. B. Sitaramaraju:** Lord Reading says:

"If you will bear with me for a moment, I should refer to the question of the Reserve Bank; as questions have been asked about it, I will at once express my views. The object of making the provision in the Report is again to preserve the credit and stability of India. I did ask this in the Structure Sub-Committee, and I will ask members who are not familiar with what happens in the world of finance—Sir Phiroze Sethna himself would, I am quite sure, agree with this—to bear in mind that you cannot make alterations in exchange until you are in a position to make provision for them, and all we are seeking is that during the period which must intervene before you set up a Reserve Bank—in my opinion it should be set up as speedily as possible—you should not interfere with exchange. I have never suggested that the Reserve

[Mr. B. Sitaramaraju.]

Bank should have the right of altering the rate of exchange. The object of the Reserve Bank is that it should manage the exchange and currency, not that it should do anything equivalent to the passing of a Statute. Once you have got a Reserve Bank in operation, on non-political lines, it would be very much in the position of the Bank of England here, it would be an independent Bank to which India could look to act merely in the interests of India and considering nothing else. Well, then, when once you have done that, of course, it would be open, as I conceive it, to the Legislature to pass any Bill that it chose with regard to the rate of exchange. . . I hope now there will be no misunderstanding."

The acting leader of our Party, Sir Cowasji Jehangir, said:

"I am sure, we are very grateful to Lord Reading for his very clear explanation of this clause."

The explanation of Lord Reading satisfied Sir Cowasji Jehangir and other members of the Indian Committee. On that understanding, the provisions were allowed to stand. That is why I referred to what was said by the British Delegation and what was understood by the Indian delegates. This is something very different from the construction which the Secretary of State has chosen to put upon it. The next stage was when the Financial Safeguards Committee of the Third Round Table Conference recommended steps to be taken to introduce this Bill as conceived by the Federal Structure Committee. The Financial Safeguards Committee did not go into this matter at any length. All that it said was that what was proposed by the Federal Structure Committee of the First Round Table Conference should be carried out by the recommendation of the Round Table Conference. The London Committee, in para. 19, opined that a suitable exchange ratio was an essential factor for the successful working of the Reserve Bank itself. Have we got a suitable ratio now? When we are going to have it and when are we going to have the power to have it? Now, Sir, the Secretary of State says, all this is wrong.

**Mr. B. Das:** May I just draw the attention of my Honourable friend to the fact that the London Committee did not say that. It is only some of the Indian members of the London Committee who said that a suitable ratio should be fixed.

**Mr. B. Sitaramaraju:** I meant only the majority of the Indian members of the Committee. Now, the Secretary of State says, all this is wrong. It is admitted in the explanation of the Finance Department that it is now being considered whether or not the Governor General should be permitted to be influenced or not by the Indian Ministry in an adaptation clause. This adaptation clause, if it is given a place in the White Paper proposals, would be an adaptation of the doctrine of Imperial legislative control. The doctrine of Imperial legislative control is as old as British imperialism itself. This doctrine of Imperial legislative control cost them an Empire in America. It cost them a domain in Ireland and it remains to be seen whether the British Government will grow wiser now. It is indeed a remarkable denouement for the hopes held by our Honourable friends, particularly those who are sitting before me who hoped so much that in the future we are going to have some financial control. One may, therefore, well ask why His Majesty's Government do not honestly admit that, as neither the political nor the

economic freedom of India is compatible with their interests, any real transfer of power is not and can never be intended. Leaving aside the intentions of our rulers, let us turn round and ask ourselves the question. What are you going to do? To sustain the dignity of this House and to maintain the honour of your country, there is only one course open to us, and that is to accept no humiliating limitations imposed on the powers of this House. Do the Government of Great Britain propose to give us an adequate representation in the House of Commons or the House of Lords? How else can the interests of India be represented in a House where we are not admitted? Do they really think that we are so simple as to believe that the Britishers in England are better representatives of India than we in this country are? The Finance Member, in reply to the charge that the Government were proceeding with undue haste, referred to the statement that the successful working of the Bank was a condition precedent to the inauguration of the constitutional reforms and that the principle underlying this Bill was before the public for some years. The very fact that the Joint Committee is unable to take even the view taken by its predecessors is proof positive that if this Bill is left to the Indian Legislature, constituted as it is, it will not be possible to expect satisfactory results. The same reason which has evidently prompted the Government to hasten the measure is the ground on which delay is sought. I am not forgetting, of course, the condition precedent aspect. Even according to the communiqué, the final form in which the powers of the Indian Ministry are to be given has not taken final shape. However, even as it is, without being worse, no one with any sense of responsibility for this country can welcome the Constitution as proposed. Far from relieving old bondages, new chains are forged. This Bill is a formidable link in that chain. The Reforms of 1919 cost us much without conceding power. This hybrid Constitution which is about to be set up is going to add greater financial burden without even the liberal outlook of 1919 Reforms. I am reminded of the English proverb: "He gains a good deal who loses a vain hope".

A great virtue is made out of the assertion that this Reserve Bank of a shareholder's type is going to be an institution free from political influences. It is unfortunate that at no stage of the discussions, either in London or here, the phrase "free from political influence" is defined. On every page of this Bill Government sanction and Government control have been written. It is difficult to understand what exactly is meant by "political influence". Do they mean to suggest that a Governor General is not the political head of the State and that he is not the agent of the British Government? If it were said that "free from political influence" means only "free from Indian political influence", that explanation can certainly be accepted, for it is undoubtedly directed towards that end. Our Railways, our finances, our services are all to be outside our control, because we are going to get, what? "An advance towards responsible government"? No, but a responsibly governed India, responsible to whom? Certainly not to the people of this country. Sir, let us, therefore, not pretend that by turning this Bank in the particular type in which it is before us, it is going to be free from political influence. Is the Bank of England "free from political influence"? Sir, a recent writer, D. S. Ewards, in his book "Gold Reserves and Monetary Standard", at page 70, says:

"The conception of 'Sterlingara' would not become acceptable to the Dominions and world countries on account of the political control over the fiduciary issue of the Bank of England."

[Mr. B. Sitaramaraju.]

Sir, it is this kind of political influence or pressure that is deprecated. While the pre-war tendency was to lay even a great stress on the need of State control, certain States, during war-time, having abused that position, the International Economic Conference held at Geneva in 1922 passed the following Resolution:

"Banks and especially banks of issue should be free from political pressure and should be conducted solely on lines of prudent finance."

Sir, what is contemplated, therefore, is merely a check on undue political interference. It makes no difference in practice what type of Bank is. It depends upon the facilities a Government has to interfere with day to day administration. Political influence is always there. The worst offenders in this regard are countries which have State Banks, paradoxical as it may appear. Let us, therefore, not pretend that a Shareholders' Bank will be "free from political influence", particularly when we remember by whom the Governors and other nominees are appointed and what influence Governors exercise and, for practical purposes, how little the shareholders exercise control. A standard book on this subject says that it has become a common feature that Governments appoint these Governors and the Governors practically influence the Bank. Another author says that an inquiry into the conditions of the banks of Central Europe would show that the people who are the shareholders of those banks care very little. All they care for is the investment of their money in gilt-edged securities. Beyond that they do not know nor care, and, though there may be a million shareholders, in practical effect they control nothing.

Sir, there is another thing. Why a national institution handling public funds should be made free from the influences of bodies representing the people, I cannot appreciate. If it is only a postponement of the conversion into a State Bank till we have in reality a responsible government, I would understand and appreciate that very much. The only factor in favour of Government proposals in this regard is that certain businessmen, who have been associated with this measure from London to Delhi, have lent their support to the Government on this particular motion. Sir, I am not surprised. On the other hand, I would have been surprised if they did not give their support to a Shareholders' Bank because they are born as shareholders, brought up as shareholders and draw sustenance as shareholders and, therefore, a Shareholders' Bank must necessarily appeal to them, and the wider national interests are bound to be lost sight of in their narrow vision.

Sir, I do not like to dwell at any great length upon this controversy whether this Bank should be a Shareholders' Bank or a State Bank. Sir, all arguments have been exhausted, reason is fatigued, but obstinacy is not cured.

**An Honourable Member:** But are you obstinate?

**Mr. B. Sitaramaraju:** As we are not going to have a national Government, Sir, I do not attach as much importance to this question now as I do to other things. However, I am always ready to support on principle the theory that it should be a Bank in which the Legislature should have an influence, but if it is not possible to secure that, then I shall lend my personal support to any measure which will give us some provision which will enable us to convert it into a State Bank. From the point of view of wider national interests, Sir, in view of the limitations on our liberty of action to change the provisions of the Bill, I humbly suggest that this is a very serious matter for Honourable Members to consider, and I hope that

by any action they may take they may not be lending their hand to the signing of their own death warrant. (Applause.)

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That the Bill, as reported by the Joint Committee, be recommitted to the Joint Committee for the purpose of making adequate provisions in the Bill to serve rural credit on the analogy of the Australian Central Bank."

**Mr. B. Das:** Sir, we are living in strange times! I well remember the day when Sir Basil Blackett brought forward his motion in 1927 for consideration of the Joint Committee Report on the Gold Standard Reserve Bank. Sir, today we have disarmed you and we hold you tongue-tied in that Chair, and you cannot participate from these Benches in order to speak out your mind to Sir George Schuster. Sir, I was looking at the signatories to that report and the present report, but here I do not find the names of Seth Govind Das, Mr. Jamnadas Mehta, Mr. N. C. Kelkar, Sir Purshotamdas Thakurdas, Pandit Madan Mohan Malaviya, Mr. Rangaswami Aiyengar, Raja Ghazanfar Ali Khan—I need not mention other names, other nationalists who came from the other House and lent their strength to the national feeling of the country. Nor do I find Sir Basil Blackett with his twinkling eyes twinkling whenever any sally went forth from the Opposition. Sir, I find now even the Government Benches empty. Not even the colleagues of the Honourable the Finance Member take any interest in this matter! I remember that day when there was pin-drop silence when the Opposition side launched their attack on the Blackett Bill. Well, then, as I say, we were living in different times and these are strange times.

**An Honourable Member:** I think the Benches were also empty then?

**Mr. B. Das:** Sir if I understood aright, the Honourable the Finance Member said that he had given us a large stone in his majority report, which he collected probably from his colleague, the Leader of the House, on his left. I daresay, Sir George Schuster has eaten the dates of Sudan. Sir, the dates that grow in Bengal and Bihar and Orissa contain very large stones. Now, what the Honourable the Finance Member did say, in effect, "I have given you, in the majority report, a large stone which is going to hurt you one and all, but the minority reports contain small stones." Sir, I, on behalf of the minority signatories, stand here to say that these little stones that are embedded in sweet luscious fruits—the minutes of dissent that we have brought forward—are meant not only for my friend, Sir George Schuster, but for every Member of this House. If the Legislators of this House, unbiassed by favours or by smiles of the

**Treasury Benches**, consider calmly and coolly the sweet and delicious fruits that the signatories to the minutes of dissent have brought forward, they will find that, if they accept our minutes of dissent, they will have sweet fruits and not the big stone which the Finance Member, helped by his colleague, the Leader of the House, had brought forward this morning on the floor of the House.

Now, Sir, before I go into the details of the report, I will join the Honourable the Finance Member in acknowledging the valuable help that we got from the various banking experts who appeared before us. Some of these banking experts, particularly the magnates of the Imperial Bank.

[Mr. B. Das.]

whom we had expected to be tigers and whose names we had heard before, such as Sir Osborne Smith, Sir Kenneth Macdonald and Mr. Lammond of the Central Banking Inquiry Committee fame, were found out to be human beings. We found them full of human pathos and human touch; they understood our points and we also appreciated their viewpoints. Where we see eye to eye with the majority report, we have been actuated by the valuable assistance we got from these banking experts. At the same time, on behalf of the minority signatories, let me take this opportunity to acknowledge the frank, courtesy and kindness which the Leader of the Opposition, Sir Cowasji Jehangir, in spite of his signing the majority report, extended to us. In spite of his being a plutocrat, he always appreciates the viewpoint of democrats like my friend, Mr. Raju, though he is sitting there, and the democrats are sitting here. I openly acknowledge the appreciation and assistance he extended towards us. He did try to help us, and if we parted company, we parted with mutual goodwill and mutual respect. We have won each other's respect, and I hope the Finance Member will agree when I say that he had also his respect for our essential difference on certain points where the nation does not agree with the viewpoint of the Finance Member, dictated as he is from other viewpoints, namely, those of the Bank of England and the Chancellor of the Exchequer of England. But, I am sure, he will have to acknowledge, some time during the course of this debate, that if we differed from him, it was on essential matters and not because we were there to obstruct him at every stage. We have tried our best, as I said, to appreciate each other's viewpoint.

Sir, the Honourable the Finance Member was very modest in his speech this morning. He is very clever and he did not want to launch the frontal attack. He simply narrated the facts as form the subject matter of his side of the case emboldened and strengthened as he is by the majority report. He did not want to expand the points of variance contained in the minority minutes of dissent, because he knows in his heart that the minority report contains the viewpoint of the nation which has not changed since 1927. Much water has flown under the Jumna bridge since then. If the Finance Member, emboldened by the signatories of the London Committee report, thinks that he can override . . .

**The Honourable Sir George Schuster:** Might I ask whether my Honourable friend is speaking on the motion which is now before the House? If so, whether he is supporting it or opposing it.

**Mr. B. Das:** My friend is impatient. There are two motions before the House. We are considering the report of the Joint Select Committee and there is another motion by my friend, Mr. Raju. If my Honourable friend hears me with patience, he will know which way the wind blows. I am trying to convince him once again here and also to convince the House that the minority reports are the best and, therefore, they should be accepted by this House. There are three important points on which we have differed from the majority. They are, whether the Bank should be a State Bank or a Shareholders' Bank, whether the ratio should be revised and what should be the reserve of the Bank if it is constituted. There are other minor points which I would like to touch upon later on.

I will, in the first instance, draw the attention of the House to the majority minute of dissent which has been signed by nine members and the other three members Mr. Bhuput Sing, Mr. Azhar Ali and Mr. S. C. Mitra, also sent a similar minute of dissent, though in a different language. Out of 28 members, 12 members have submitted their minutes of dissent and, in this connection, I would like to say that the House, as it is constituted, consists of packed Members . . . .

**Mr. N. N. Anklesaria** (Bombay Northern Division: Non-Muhammadan Rural): Still they have signed your minute of dissent.

**Mr. B. Das:** I am not talking of the elected Members of the other House. I am talking of the very constitution of the other House.

**Mr. President** (The Honourable Sir Shanmukham Chetty): No reflection should be cast at the constitution of the other House on the floor of this House.

**Mr. B. Das:** As I was saying, Sir, 12 signatories, out of 28, have signed the minute of dissent recommending that, on these three points, the national viewpoint should be accepted. I hope every Honourable Member of this House has read the discussions of the 1927 Bill and the minutes that we have attached to the report on the present Bill. During the 21 days that we sat, luckily or unluckily, in the Chamber of Princes to do our Committee work, we found that it was a very uncomfortable place. It is meant for people to sleep. There was no table nearby where we could work. I may say that I had occasional naps of sleep, because the very appearance of that Chamber induces sleep.

**Mr. F. E. James** (Madras: European): Is that the reason why you signed a minute of dissent?

**Mr. B. Das:** I hope, my friend, Mr. James, will support me in those minutes of dissent. In spite of my being sleepy, I have put the national sentiment in these minutes of dissent.

**Sir Cowasji Jehangir** (Bombay City: Non-Muhammadan Urban): It was the first and perhaps the last time that we shall sit in the Chamber of Princes.

**Mr. B. Das:** Sir, at every stage we found that the Government control was necessary on the operations of the Reserve Bank. So those of us who represent the masses here, like my Honourable friend, Mr. Raju, and, think, in terms of the masses day and night, we wanted that we should give full power to the State so that the State can do justice to the masses and not have a Shareholders' Bank which will be over-ridden by capitalists either from Bombay, Calcutta, Madras or Delhi—it matters us little whence they came. We have put down in the minutes of dissent one expression in which we asked Sir Osborne Smith how the Directors were elected to those Banks. I will just quote that sentence.

**The Honourable Sir George Schuster:** As my Honourable friend is going to refer to a passage in a minute of dissent which purports to quote from the proceedings when the expert witnesses attended our Committee, I would ask your permission to intervene at this stage to call the attention

[Sir George Schuster.]

of the House to the foot-note which I myself, as Chairman of the Committee, had to add to those passages, in which I explained that these reports were very hastily prepared, that they were not checked by the persons who appeared before the Committee, and that they ought not to be regarded as accurate records of what they said. I do not wish to suggest that there is anything which my Honourable friend is going to say is misleading, but I feel bound to make this point and I was in some difficulty as to whether it was really in order that records of the proceedings of the Select Committee should be actually referred to in any report of that Committee's proceedings, because, hitherto, the actual proceedings of a Select Committee have been regarded as confidential and not disclosed to the public.

**Sir Cowasji Jehangir:** Does my Honourable friend mean to say that the proceedings were very confidential?

**The Honourable Sir George Schuster:** What I said was that hitherto the proceedings of a Select Committee have been regarded as confidential.

**Sir Cowasji Jehangir:** My Honourable friend will perhaps recollect that the proceedings were reported at fairly great length in all the papers.

**The Honourable Sir George Schuster:** And my Honourable friend will, I think, agree with me that they were most inaccurately reported in those papers. I was pointing out that, in this case also, the report should not be regarded as accurate.

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): Those who were not members of the Select Committee are in a very unfortunate position. During the discussion, we should know what the truth is, otherwise we shall be very much handicapped.

**Mr. C. S. Ranga Iyer** (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): For the identical reason mentioned by the previous speaker, I suggest that no quotations should be made from documents which are not made available to other Members of this House.

**Mr. Gaya Prasad Singh** (Muzaffarpur *cum* Champaran: Non-Muhammadan): Why should it not be made available to others?

**Mr. K. C. Neogy:** With reference to the few quotations that form part of some of the minutes of dissent, may I know from the Honourable Member as to whether he has received any protests from the witnesses either on the ground that those statements were made on promise of secrecy or on the ground that the quotations were inaccurate?

**The Honourable Sir George Schuster:** No, Sir, I have received no protests. But I do not think it follows from that that the gentlemen, whose statements are reported, would necessarily like to have them made public. I think it is quite possible that the gentlemen in question have not even read the reports in which their statements are quoted.

**Diwan Bahadur A. Ramaswami Mudaliar** (Madras City: Non-Muhammadan Urban:) May I ask the Honourable the Finance Member whether there is any objection to supplying the whole House with the proceedings?

So far as the witnesses are concerned, they are questions and answers and they are not really the proceedings of the Select Committee in the sense in which we understand them, that is discussion between members *inter se*. It is usual with reference to Select Committees that when experts are examined as witnesses, the transcripts of that evidence are supplied to the whole House. That is not an unusual procedure at all.

**The Honourable Sir George Schuster:** That is a matter on which I should like to consult you, Sir. But, speaking for myself, there is nothing in any of these proceedings that I should in the least desire to have kept secret. The only point is that as Honourable Members of the Committee know, the reports had to be prepared very hastily. We were anxious to get them into the hands of the members of the Committee without any delay and it was a very difficult discussion to report. The shorthand reporters did their work extremely well, but they were working under extreme difficulties. I myself, for example, had no opportunity to check the reports before they went to the Press and there are a great many statements where words are given which I think were not actually used by the speakers so that if a member is quoted,—although the general impression conveyed may be quite correct,—if a particular sentence is quoted, it might give a misleading impression. That was my only point.

**Mr. B. Das:** Sir, I have a great deal of sympathy with what fell from my Honourable friend, the Finance Member. I am the last person to misrepresent anybody who is either present here or outside this House. If I bring out certain statements, I may assure my Honourable friend, the Finance Member, that I will never refer to anything except what has been quoted in the report of the Select Committee.

**Mr. President** (The Honourable Sir Shanmukham Chetty): It is a very difficult point to decide as to what are the matters taking place in the Select Committee to which reference can be made either in the minutes of dissent or on the floor of the House. On that bigger issue, the Chair does not propose to give any ruling just at present; but the immediate question before the House is the warning given by the Honourable the Finance Member that the quotations from the evidence given by the witnesses were not really corrected by those witnesses and that they ought not to be considered as very authentic. So far as that is concerned, the Chair would say that when witnesses are summoned before a Select Committee, it must at the very outset be made clear whether the evidence tendered by them is tendered *in camera*. If evidence is taken distinctly on that understanding, then no Honourable Member has got the right to publish any portion of that evidence; but so long as that has not been made clear, it is perfectly legitimate for any Honourable member of the Committee to refer to the evidence tendered before the Committee in support of the argument that the Honourable Member may wish to advance. In future, where Select Committees choose to summon witnesses, it would be proper to make this position clear to the witnesses and, in all cases, where the evidence is tendered in public, the evidence of the witnesses should be corrected and printed and should also be made available to the Honourable Members of this House. In any case, so far as this Committee was concerned, the position was not made clear. The Chair hopes that in future, so far as the witnesses are concerned, the position would be made clear as the Chair has indicated just now.

**The Honourable Sir George Schuster:** What you have said, Sir, is perfectly correct. The position was not made absolutely clear in the terms in which you have just stated, to the witnesses and for that I, as the Chairman of the Committee, must accept the responsibility. It was an error. It would have been better if it had been made clear. But I think I may say that the understanding certainly was that the discussions were rather in the nature of informal discussions for we wanted very frank and free discussions on all the points, and my own view is that the witnesses were not speaking under the impression that their evidence would be published and referred to in the discussion in this House. On the other hand, I do not think that there is anything that was said that any one can object to. Certainly from my own perusal of this very long document, the record of the witnesses, I do not think that there is anything in it which I should feel the slightest objection to letting the Honourable Members know. Only I felt that I must safeguard the position of the witnesses and also that an important point of principle was involved which I ought not to let pass without raising the question.

**Mr. C. S. Ranga Iyer:** Now that you have ruled that quotations can be made from the documents, may I request that the same documents may be made available as early as possible during this Session to all the Honourable Members who can have an opportunity of delivering their speeches in the light of that document and the evidence of the witnesses which are so far denied to them?

**Mr. President** (The Honourable Sir Shanmukham Chetty): So far as quotations are concerned, the Honourable Member, Mr. Ranga Iyer, is perfectly right in saying that no one should quote passages from a document which is not available to Honourable Members of this House. The quotation from the evidence given in the dissenting minute is a passage contained in a document which is available to the House, i.e., the dissenting minute itself and the Chair would allow Honourable Members to read that. But if any member of the Select Committee attempts to read portions of the evidence which is not quoted in the dissenting minutes, then the Chair would not allow him to do so unless copies of the evidence are made available to Honourable Members.

**Dr. Ziauddin Ahmad:** Those of us who were not members of the Select Committee are very much handicapped, because we will not be able to judge for ourselves whether the majority report or the minority report is correct, and, in order to help us, all the information should be supplied to us.

**The Honourable Sir George Schuster:** I think my Honourable friend is perhaps somewhat misrepresenting the position. After all, this House referred the consideration of this measure to a Select Committee consisting of its Members and what it has before it is the report of those Members. It is not necessary, I suggest, that the House should be in a position to go behind the report of those Members and say that they have reached certain conclusions, but that on the basis of the evidence that was tendered to them they had no right to reach those conclusions. I suggest that that is putting the members of the Committee into a position which is very derogatory to their own dignity and inconsistent with the confidence which the House ought to place on them.

**Dr. Ziauddin Ahmad:** The argument would have been correct if the report had been unanimous, but as a large number of the elected Members have signed the report of the minority, I think we should have a right to know what the correct situation is; I may add that the Honourable Member himself has quoted from the evidence.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair does not think any useful purpose will be served by carrying on this discussion. Since the position was not made clear so far as this Select Committee is concerned, the Chair cannot compel the Finance Member to make available to the House a *verbatim* copy of the evidence tendered before the Committee. But if he chooses, he can do so. That is all, and the matter must rest there.

**Mr. M. Maswood Ahmad** (Patna and Chota Nagpur *cum* Crissa: Muham-madan): Sir, we understand that certain memoranda were supplied to the members of the Committee. Those are also important documents and ought to be made available to us.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The House is not entitled to ask that every memorandum placed before the Select Committee must be made available to the House.

**Mr. B. Das:** Sir, we are very grateful to you for the rulings which you have given just now and which will much facilitate our future discussions, and we will take advantage of these rulings also when other Select Committees come. Sir, I share the apprehensions of the Chairman of the Joint Select Committee that the witnesses might be misrepresented. But I was only going to refer to certain quotations printed here in the Select Committee's report and in future, I will follow my Honourable friend, the Finance Member, and will only summarise the viewpoint of witnesses whenever it suits my purpose. On page 16 of the report, you will find the following question and answer in the evidence of Sir Osborne Smith:

"Q. Do you know of any occasion on which anybody has been elected in a general meeting of a Director without the backdoor influence of nomination first by the Directors?"

A. I have no recollection of it."

Sir, language may be misrepresented, but the purpose is there and I only wanted to draw the attention of the House to the purpose of that question and answer. My object in reading this extract is that knowing the social structure and the economic structure of our cities and the life that we at present live, it is not possible for shareholders to elect the right type of Directors, and it seems very strange to us that the nominees of the very first Directors become the Directors of public companies and concerns. The Reserve Bank that we are framing is going to be the Central Bank of the nation. To me it is going to be the National Bank. Whether I win in my objective to make it a State Bank or whether I do not win, I would see that it should function, as far as possible, as the National Bank of India. Therefore, I would not like to leave the national financial credit to a handful of big financiers or big plutocrats and capitalists like my Honourable friend, Sir Cowasji Jehangir, or similar plutocrats who live in Bombay or Calcutta or Delhi; because, these plutocrats, clever as they are in making their money, have no time to study the mass mind of the country. They have no time to understand the intelligent criticism of the intelligentsia of the nation, because they want to apply only one test. To

[Mr. B. Das.]

the financiers and capitalists there is one test only in this world and that is what money it will bring to their pockets, whether it is being managed as a sound financial or commercial concern. But, Sir, this Reserve Bank is not only a financial and commercial concern, but it is a national concern. The nation is vitally affected in it, and I do not wish to repeat the pleading of my Honourable friend, Mr. Raju. He has pleaded on behalf of the teeming millions of this country and he wants their interests to be safeguarded. But how can I feel that these nominated Directors or these Directors, who will be elected on the proxy system that this Bill provides, will discharge their obligation to the nation properly and adequately? And we have a precedent to justify this criticism. Let me take the example of the Imperial Bank of India. In 1920, Sir Malcolm Hailey brought out that Imperial Bank of India Act. Thereafter, although it was understood that the Imperial Bank of India was to be the Reserve Bank of India, and I recollect that Sir Purshotamdas Thakurdas made a strong speech on the floor of this House in 1927, that the Imperial Bank should be the Reserve Bank of India, what do we find? The Directors, of course, are nominated by the Government at times, and some, of course, are elected. I do not want to traverse the grounds that were covered by my Honourable friend, Mr. Vidya Sagar Pandya. I may not agree with the dots and dashes, which he has put, but the substance of his argument we all agree with. And every day we read in the papers about the failure of joint stock banks and joint stock companies and mismanagement by managing agents. We very often discuss on the floor of the House the mismanagement of the managing agency system, the Board of Directors not exercising adequate control over the managing directors or, as provided here, the Governor. So, Sir, I am for a State Bank. Sir, I have my fights with this Government and my suspicion of the present Governor General in Council, and every day I leave no stone unturned to fight at least one of the Members of that Council. In spite of that, I would like to put up the whole responsibility on the Governor General in Council. What will happen? At least this Government is honest to a degree—it is 20 per cent. honest . . . .

**Mr. Gaya Prasad Singh:** Say 21 per cent.

**Mr. B. Das:** All right: my friend is fond of 21. It is honest to a degree: it tries to look at the situation from the top: it will not look at the situation as the capitalist Directors of the Imperial Bank look at it. We have often discussed about it on the floor of this House: we have said in this House that, during its existence for the last 13 years, the Imperial Bank could not function as a national bank, could not give credit to the masses. Why, today the interest of the Imperial Bank is  $3\frac{1}{2}$  per cent. or 4 per cent. but the co-operative credit societies in Bihar and Orissa are charging  $15\frac{1}{2}$  per cent. to the small villager of the village society. This is a wrong system of credit that has been designed, because the shareholders' interests come in, and the Government cannot exercise proper control or direction over the Imperial Bank. Today we are going to start on a clean slate. We are trying to devise means for a national institution, a national bank that will cater for the millions: why should we cater only for the few capitalists—about 200—of Bombay, Calcutta, Delhi and Madras? That is my main argument, therefore, that I want to trust this Government. I am not thinking ahead: I am not thinking of the new Constitution: I do not know if it is coming in five years: but I am thinking of the immediate processes: I am going to trust you—you may distrust me, but in this matter . . . .

**Mr. R. S. Sarma** (Nominated Non-Official): Why should you not trust those whom they trust?

**Mr. B. Das:** Sir, we will hear our friend, Mr. Sarma, sometimes in this debate, and then we will know how far my Honourable friend will have confidence in those whom the Government at times trust. That is my main argument; but, in spite of this Shareholders' Bank of Rs. 5 crores to which my Honourable friend this morning stated they were going to hand over a reserve of Rs. five crores in securities, the Reserve Bank will handle the national credit, the Government credit of India, which will amount to about Rs. 250 crores. So that it means that the Government of India, the nation, happen to be the deferred shareholders of the Reserve Bank of India. Why should you, therefore, trust a few capitalist Directors with the management of this Reserve Bank? When we hear my Honourable friend, Mr. Mody—I do not see him in his seat now, but I welcome him here after his valiant work in Bombay after resigning and kicking off the office of the membership of the Committee of the Indian Merchants' Chamber—I welcome him, I thought he had come to listen to the debate on the Reserve Bank Bill, being a signatory—I do not know what contribution he made—I do not find any minute of dissent by my Honourable friend, Mr. H. P. Mody; when we hear these representatives of the capitalist classes, they will come and justify that the shareholders' system is the best, although the whole of the financial firmament of the Bombay City today is rocking in danger owing to the failure of a big mill-owners' group. I do not wish to mention names—I have great sympathy with the proprietors of the group, because some of them happen to be my personal friends; but this is the result of management of shareholders' concerns and managing agency systems and the Directors that are recruited from the big classes of plutocrats. I do hope that the representatives of capitalists in this House, including my friend, Mr. George Morgan, will explain how this system satisfies the conditions of the Reserve Bank being a national bank. I am not divulging any secret, but it was brought out in the Joint Committee that gentlemen of the profession of directors often occupy the directorship of forty or fifty concerns. So we do not want to hand over our national assets to company promoters and professional directors. I want to hand them over to our Government. I have confidence even in Sir George Schuster and I will hand it over to him . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): Mr. Mody has come.

**Mr. B. Das:** Sir, I welcome once more my Honourable friend, Mr. Mody, on the floor of this House, because he has come to justify and substantiate the signature that he placed in his London Committee's report. I was also referring to the fact that my friend, after kicking off the membership of the Committee of the Indian Merchants' Chamber—I am also a member of that Chamber—has come here.

**Mr. F. E. James:** You are also a capitalist?

**Mr. B. Das:** Let me remind my Honourable friend, Mr. James, that I am a democrat.

**Mr. R. S. Sarma:** A democratic instrument of capitalists!

**Mr. B. Das:** We are straying from the point: I do not wish to discuss how one becomes a democratic instrument of capitalists. I do not live in the towns of Calcutta or Bombay at present to understand and appreciate how one becomes an instrument of capitalists . . . .

**Sir Cowasji Jehangir:** You did Bombay the honour of living in Bombay at one time?

**Mr. B. Das:** Yes, I did live there for 12 years. But leaving that aside, I wish to draw the attention of my Honourable friends, particularly those who have been elected and who have to answer to their constituencies within a year from this date . . . .

**Mr. B. S. Sarma:** Within a year you have to answer the Viceroy and Governor General, not your constituency.

**Mr. B. Das:** I am speaking of my friends who represent the millions here: they must read the minutes of dissent and think it out coolly whether trusting the Government of India, even as they are constituted at present, will not be more advantageous to the nation than trusting a few Directors elected by subterfuge tactics of the capitalists well known to all of us, and whether my colleagues will not profit by the instance I have cited of the mismanagement of the Imperial Bank to the extent that it did not help the teeming millions in the country to finance their credit and to remove their indebtedness. That is a point we should consider. We may fight in any way we like here, but it will come up in the country when every one of us will have to answer it in the country this year or next year.

Now, Sir, I come to the next stage of the major point that I wish to discuss. I wish to tell all my non-official friends on this side that the Finance Member, representing the Government of India, extended to us the courtesy in raising the gold reserve from 35 to 40 crores. We are all grateful to him, and I wish that he could come up to us with a little more in the same spirit; but, Sir, I do not wish that the reserves of the Reserve Bank should be constituted as it is proposed in the Bill. I want that it should have at least 106 crores. The Blackettian Bill conceived, with your help, Sir, that 118 crores should be the first reserve of the Reserve Bank. I do not want my Honourable friend to limit it to 99 crores or to something above 98 crores. I want to take it up to 106 crores. That we have stated in our minute of dissent. At the same time I wish to draw his attention and the attention of my friends to one point. Already the Finance Member has drawn the attention of the House to the Silver Agreement, but this is not the time when this House should authorise the Government of India to sell silver. The other day I quoted, Sir, in another connection from the notes of Sir Purshotamdas Thakurdas to the minute of dissent which he submitted to the Joint Parliamentary Committee or the London Committee on the Reserve Bank, I do not know to which it was submitted. I can quote *in extenso* again from Sir Purshotamdas's notes, but I will only say this. I want my friends to remember one particular passage, and it is this:

"The Committee did not consider the question of the sale of silver now held in reserve and it did not feel it was included in the terms of reference. As a matter of general policy, I am opposed to any part of silver now held in the currency reserve."

Sir, it is no use asking us to express our views on silver sales in a general discussion of this character. Let my Honourable friend, the Finance Member, himself raise the discussion on a certain particular clause.

or let him bring out a definite Resolution, so that this House can express its opinion whether it will agree with the Finance Member to sell the few crores of silver rupees he has to pay off some of his debts which he cannot pay off otherwise. When I say his debts, I mean the country's debts. I am also strengthened in my view from the minute of dissent which the Honourable the Finance Member himself and Mr. Taylor have signed, page 15. This is what they say:

"While we feel that such ideas have force, and while we recognise the strength of Indian sentiment in this matter, we consider that, so far as statutory provisions are concerned, these should not be so framed as to hamper the discretion of the Bank to utilise its currency reserves in whatever manner may be most effective for maintaining the stability of the currency."

I shall refer to that particular aspect of the functions of the Bank later on, but I do not want that the Government of India should dabble with the Gold Standard Reserve, which has been accumulating so long in safes, and fritter it away . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member can resume his speech tomorrow.

The Assembly then adjourned till Eleven of the Clock on Tuesday, the 28th November, 1933.







## LEGISLATIVE ASSEMBLY.

*Tuesday, 28th November, 1933.*

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham ('hetty) in the Chair.

### QUESTIONS AND ANSWERS.

#### INSTRUCTIONS GIVEN BY THE RAILWAY BOARD RE PROMOTION OF CERTAIN RAILWAY OFFICERS.

1184. \***Mr. Lalchand Navalrai:** (a) Are Government aware of the instructions given by the Railway Board in their letter No. 683-E. G., dated the 3rd March 1931, to the Agents of State Railways, to the effect that with a view to eliminating all avoidable hardship the Board desires that an employee who in the circumstances explained in paragraph 4 (demoted to lower rank) is retained in a lower post drawing the same rate of substantive pay as that allowed to him on reversion will, subject to continued efficiency, be considered when a suitable opportunity offers for promotion to the class or grade in which he was formerly employed or to a post of equivalent or lower rank?

(b) Will Government be pleased to state if these instructions are strictly followed by the office of the Divisional Superintendent, North Western Railway, Karachi?

(c) Is it a fact that the demoted persons are not taken in the inverse order?

(d) Is it a fact that Messrs. Bhagatsingh, Bhagwan, Madhavdas, Doulatram, Thanuram and Nebhraj, reverted Markers of Karachi Division, have been ignored, and that the newly recruited Goods Marker, named Bhagwandas Dunichand, with about three months' service, has been promoted as Train Clerk? If so, who is responsible for promoting Bhagwandas, the Divisional Superintendent himself or the Divisional Personnel Officer, and for what reasons?

(e) On account of retrenchment, were any instructions sent to the Divisional Superintendent, North Western Railway, Karachi, not to recruit any person but to take up if necessary persons from amongst the demoted staff?

(f) If the reply to part (e) be in the affirmative, why were Goods Markers Bhagwandas, Mohamed Khan and several others recruited on Karachi Division, instead of promoting the demoted inferior labour staff as Markers, their previous appointments?

**Mr. P. R. Rau:** (a) In the letter quoted it was stated that an employee who is retained in a lower post will rank in seniority above men holding similar posts drawing the same rate of substantive pay as that allowed to him on reversion, and will, subject to continued efficiency, be considered when a suitable opportunity offers for promotion to the class or grade in which he was formerly employed, or to a post of equivalent or lower rank.

(b) Government have no reason to believe that these instructions are not followed.

(c) The orders of Government are that retrenched persons should be taken in the inverse order of their discharge subject to the maintaining of communal proportions. They also provide that if an employee who was discharged is re-employed in a lower post, he should, subject to good work, be considered for promotion, when a suitable opportunity offers, to the class or grade in which he was formerly employed or to a post of an equivalent or lower rank.

(d) and (f). I have sent a copy of these questions to the Agent, North Western Railway, in order that he may satisfy himself that the rules on the subject have been carried out.

(e) The existing orders are that no outsider should be appointed in any department, division, district or office of the railway so long as a suitable man is available from the waiting list, or next after that, from among the Great Indian Peninsula Railway strikers who are still out of employment.

**Mr. M. Maswood Ahmad:** Will Government be pleased to state if, on reinstatement of the retrenched hands, their service will be regarded as continuous service or not?

**Mr. P. R. Rau:** I am not quite sure of that. I should like my Honourable friend to put a question on paper.

**Mr. Lalchand Navalrai:** May I know from the Honourable Member if he is always satisfied with the presumption that the Agent is following the rules and regulations issued by the Railway Board, or that when there is any specific instance given he enquires of the Agent?

**Mr. P. R. Rau:** Until it is proved to the contrary, the presumption is that the Agent is following the orders of the Railway Board.

**Mr. Lalchand Navalrai:** But when an allegation is made in the House that they are not being followed and certain instances are given, will the same answer hold good that the presumption is that he is following the orders?

**Mr. P. R. Rau:** The only question that has been put to me here is, "Are Government satisfied that these rules are strictly followed?"

**Mr. Lalchand Navalrai:** I have given instances where they have not been followed.

**Mr. P. R. Rau:** May I know what is the instance the Honourable Member has mentioned?

**Mr. Lalchand Navalrai:** As regards Mohamed Khan, etc.

**Mr. P. R. Rau:** As regards (d) and (f), I have sent a copy of the question to the Agent of the North Western Railway.

**Mr. Lalchand Navalrai:** The questions have been sent to the Agent of the North Western Railway, there is no doubt about it, but I have put my questions on a question of policy—the policy of the Railway Board in connection with the orders given to the Agents. I ask, if certain instances are given, is it sufficient merely to send the questions to the Agent for any action that he may take? On the other hand, we shall not know anything.

**Mr. P. R. Rau:** If my Honourable friend considers that this matter is of sufficient importance to be ventilated in this Legislature, and if he is still of that opinion after the appeal addressed to the House by the Honourable the Railway Member yesterday, I should be prepared to get the information.

**Dr. Ziauddin Ahmad:** May I know if any machinery exists by means of which the Railway Board can find out whether their orders are carried out by the Agents, or is it simply a presumption?

**Mr. P. R. Rau:** I do not know what machinery my Honourable friend is referring to. The person aggrieved would certainly take some steps to bring the matter to notice.

**Dr. Ziauddin Ahmad:** If any one on behalf of the Legislature asks the Railway Board whether the orders of the Railway Board in any particular case have been complied with by the Agents, is the Honourable Member in a position to say, yes or no?

**Mr. P. R. Rau:** I do not think it is a practical proposition for the Railway Board to have an inspecting staff to see whether the orders of the Railway Board are carried out by the Agents or not.

**Mr. Gaya Prasad Singh:** Are Government aware that a Member of this House from the Punjab gave notice of a Resolution which was admitted, that the Agent of the North Western Railway sometimes does not, as a matter of fact, carry out the instructions conveyed to him by the Railway Board?

**Mr. P. R. Rau:** I remember that there was a Resolution on the subject last Session.

**Mr. Lalchand Navalrai:** May I know whether the procedure that is followed by the Honourable Member here is followed by the Agent in his turn by sending on the question to the next channel, namely, the Divisional Officer?

**Sir Cowasji Jehangir:** May I ask the Honourable Member, when a question is asked in this House and the Honourable Member refers to an Agent, does he expect to get any reply from that Agent as to any action taken, or does he expect no reply from the Agent?

**Mr. P. R. Rau:** In certain cases if a *prima facie* case has been made out for investigation by the Railway Board, the Railway Board ask for a reply. In certain other cases it is possible that the allegation is that subordinates of the Agent have not followed the instructions, then the questions are sent to the Agent for taking all necessary action.

**Sir Cowasji Jehangir:** If that is the case, then it is useless to ask any question about any railway, because you send it to the Agent, but no reply is expected.

**Mr. P. R. Rau:** I have already explained to the House in reply to a question yesterday that it is practically impossible for the Government of India to concern themselves with all matters of detail in railway administration.

**Mr. M. Maswood Ahmad:** Is the Honourable Member aware that before questions are admitted they are very carefully examined, and that when they are admitted by the President, it means that they are of public importance and public concern?

**Mr. P. R. Rau:** I have no doubt about that.

**Sir Cowasji Jehangir:** It is very possible that certain questions are of a trivial character,—that is possible. But if a question is asked and the Honourable Member refers that question to an Agent and if the Agent knows that no answers are expected by the Honourable Member, is it not likely that the Agent would treat the question put by the Honourable Member to him rather lightly?

**Mr. P. R. Rau:** No, Sir. I have a much higher opinion of our Agents.

**Sir Cowasji Jehangir:** Has the Honourable Member any knowledge of human nature?

**Mr. P. R. Rau:** I dare say that I have not as much knowledge of human nature as my Honourable friend has.

**Sir Cowasji Jehangir:** Then may I tell my Honourable friend that it is human nature not to pay very much attention to a question that does not require a reply? (Laughter)

**Mr. Lalchand Navalrai:** May I suggest another course to the Honourable Member if he is not perturbed? In matters of detail, not in matters of policy, but in matters of detail,—if we address the Agent, will he reply?

**Mr. President** (The Honourable Sir Shanmukham Chetty): We had some questions of a similar nature yesterday and the same matter is being raised today. Where an Honourable Member has put down a question which has been admitted by the Chair, it means that the question is of public importance, and the Chair and the House have got a right to expect that a suitable answer will be given. The Chair also realises that there are a great many matters in which powers have been delegated to the

Agents of Railways and they must be trusted to carry out those powers. But when an Honourable Member has definitely put down a question, especially bringing to the notice of the Government a specific case in which the Agent is supposed not to have carried out the orders, and when the Honourable Member replying for Government says that the question has been forwarded to the Agent, the Chair thinks it is proper that the Agent must send a reply to the Railway Board and that reply must be communicated to the Honourable Member who asked the question at any rate, so that, if it is unsatisfactory, he might pursue the matter further. That will suit the convenience of the House and the Chair does not think it will infringe on the delegated powers of the Agents either (Cheers.)

#### APPOINTMENTS THROUGH SELECTION BOARDS ON STATE RAILWAYS.

**1185. \*Mr. Lalchand Navalrai:** (a) Will Government be pleased to state whether the orders of the Railway Board are that fresh appointments in the subordinate services on State Railways of men not discharged or demoted during the last retrenchment should be made through Selection Boards?

(b) If the reply to part (a) be in the affirmative, have any Selection Boards been held in the Karachi Division of the North Western Railway since 1931, and is it a fact that all appointments in the subordinate ranks since that day have been made by the Divisional Personnel Officer without reference to any Selection Board?

(c) If so, what was the justification for contravening the orders?

**Mr. P. R. Rau:** (a) The rules for the recruitment and training of subordinate staff on State-managed Railways (a copy of which is available in the Library of the House) provide for Selection Boards for recruitment of certain categories of subordinate staff.

(b) and (c). I have sent a copy of these questions to the Agent of the North Western Railway in order that he may see whether these orders have been contravened in the Karachi Division, and, if so, to consider the steps necessary to set matters right.

**Mr. Lalchand Navalrai:** And also to reply to this House,—is the Honourable Member prepared to add that?

**Mr. P. R. Rau:** I have just heard the ruling of the Chair and my Honourable friend can be sure that it will be complied with.

#### RECRUITMENT OF NON-MATRICULATES IN THE DIVISIONAL OFFICE, NORTH WESTERN RAILWAY, KARACHI.

**1186. \*Mr. Lalchand Navalrai:** (a) Will Government be pleased to state whether the orders on the North Western Railway are that certain posts in subordinate services, are to be given only to those who possess the matriculation educational qualification and that non-matriculates could be recruited or appointed by transfer to other inferior posts, and that the latter could not be transferred to posts reserved for the matriculates? Does the aforesaid order of the Agent, North Western Railway, say that the Divisional Superintendents would be held personally responsible in case of its infringement?

(b) Are these orders strictly carried out by the Divisional Personnel Officer, North Western Railway, Karachi? If not, why not?

(c) Is it a fact that some non-matriculates were recruited as clerks in the Divisional Office, North Western Railway, Karachi? If so, what were the reasons for contravening the orders referred to in part (a) above?

(d) Is it a fact that a non-matriculate had been transferred by the Divisional Personnel Officer, North Western Railway, Karachi, as a clerk in the grade Rs. 180—10—200—a post for matriculates only? If so, why?

(e) Is it a fact that one Nozermohmed—a Weighing Machine Fitter, North Western Railway, Karachi has been put to work as a grade II Clerk, by the Divisional Personnel Officer, North Western Railway, Karachi?

(f) Is it a fact that Mr. Nozermohmed is not only a non-matriculate but does not know sufficient English, and has been given an assistant to work on his behalf? If so, why has a semi-educated man been put to the clerical post in contravention of the orders?

**Mr. P. R. Rau:** With your permission, Sir, I shall reply to questions Nos. 1186 and 1187 together. Government have no information, but have sent a copy of these questions to the Agent, North Western Railway, who will, no doubt, take the necessary steps to see that all orders issued by the administration are carried out by subordinate officers.

#### PERIOD OF PROBATION OF TEMPORARY STAFF ON THE NORTH WESTERN RAILWAY.

† 187. \***Mr. Lalchand Navalrai:** (a) Are Government aware of the Agent, North Western Railway's Circular No. 1 of 1927, Part A, paragraph 8(d), directing that confirmation of staff will be considered only after the expiry of 12 months probationary period, and his further order No. 961-E./113, dated the 16th June, 1931, directing that that period of 12 months' probation can under no circumstances be reduced or waived by any subordinate office?

(b) Are Government aware whether these instructions are being strictly followed by the Divisional Personnel Officer, North Western Railway, Karachi? If not, why not?

#### EMPLOYMENT OF STAFF ON WORKS OTHER THAN THOSE TO WHICH THEIR PAY IS CHARGED ON THE NORTH WESTERN RAILWAY.

188. \***Mr. Lalchand Navalrai:** (a) Has the attention of Government been drawn to the Railway Board's letter No. 6862-F., dated the 26th March, 1931, directing that the staff should not be employed on works other than those to which their pay is charged and for which they are employed? If so, are these orders followed on the Karachi Division of the North Western Railway?

(b) Are Government aware that the following persons on Karachi Division were or are working on posts other than those for which they are employed or their pay is charged to? Messrs. Gullam Yassin Guard, Shumisdin Guard, Allah Bux Guard, Munshiram Guard, K. N. Akhtar Fuel Clerk, Lachmi Narain Train Clerk?

(c) If the reply to part (b) be in the affirmative, who is responsible for the infringement of the Board's orders?

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†For answer to this question, see answer to question No. 1186.

**Mr. P. R. Rau:** These orders are general and applicable to the Karachi Division of the North Western Railway as elsewhere. I have sent a copy of the question to the Agent, North Western Railway, to ascertain whether the allegations are correct, and if so, to take suitable action.

**WITHHOLDING OF APPEALS AGAINST HIS ORDERS BY THE DIVISIONAL PERSONNEL OFFICER, NORTH WESTERN RAILWAY, KARACHI.**

1189. \***Mr. Lalchand Navalrai:** (a) Will Government be pleased to state if an employee in the subordinate railway service can appeal to the Divisional Superintendent against the orders of a Divisional Officer?

(b) If so, is it a fact that the Divisional Personnel Officer, North Western Railway, Karachi, does not forward to the Divisional Superintendent appeals against his orders? If so, why?

**Mr. P. R. Rau:** (a) The rules provide that an appeal from an order of discharge (except on reduction of staff) or dismissal lies to the authority next above the officer passing the order.

(b) I am sending a copy of this question to the Agent, North Western Railway, for any action that he may consider necessary.

**Mr. Lalchand Navalrai:** What is the rule when an appeal is presented against the order of the Divisional Personnel Officer, for being forwarded to the Divisional Superintendent? Is he bound to forward it or not?

**Mr. P. R. Rau:** I am informed by the Agent of the North Western Railway that an appeal against an order of discharge passed by any officer without the prior approval of the Divisional Superintendent lies to the Divisional Superintendent and is submitted to him for his orders.

**Mr. Lalchand Navalrai:** Then it will be forwarded, and not held up?

**Dr. Ziauddin Ahmad:** The main question is not answered. Is the officer who passed the order bound to forward the appeal to the next higher authority or can he withhold it?

**Mr. P. R. Rau:** My Honourable friend has not heard my reply. I said that I am informed by the Agent of the North Western Railway that an appeal against an order of discharge passed by any officer, without the prior approval of the Divisional Superintendent, lies to the Divisional Superintendent and is submitted to him for his orders.

**Dr. Ziauddin Ahmad:** If an appeal is sent, can the Divisional Officer withhold the appeal and not forward it, because the appeal cannot be sent direct to the higher authority?

**Mr. P. R. Rau:** The rules, under which appeals can be withheld, are definite and only for special reasons can such appeals be withheld. When an appeal lies to the Divisional Superintendent under the rules, no subordinate officer can withhold that appeal.

**Mr. M. Maswood Ahmad:** In some cases orders are signed by some officer for the Divisional Superintendent. In such cases do the appeals lie to the Divisional Superintendent or to the Agent?

**Mr. P. R. Rau:** The orders might be signed for the Divisional Superintendent, but they might have been given by the Divisional Superintendent himself.

**Mr. M. Maswood Ahmad:** In certain cases the signatures are for Divisional Superintendents. In such cases does the appeal lie to the Agent or to the Divisional Superintendent, because such instances have occurred in the Dinapore Division?

**Mr. P. R. Rau:** Without knowing the particulars of that case, I am not in a position to reply.

#### CADRE OF THE INDIAN MEDICAL SERVICE FOR VARIOUS PROVINCES BASED ON THE LEE COMMISSION REPORT.

1190. \***Mr. A. Das:** (a) Has the attention of Government been directed to the recent notifications in the *Gazette of India*, dated the 30th September, and the 7th October, 1933, about the cadre of Indian Medical Service for the various provinces based on Lee Commission Report? If so, does the number include the posts of the Inspector General of Civil Hospitals and the Director General of Public Health in such provinces where such posts exist? If not, under what cadre do they come?

(b) Does the Lee Commission Report provide for a cadre of Indian Medical Service for the United Provinces at 24 or 30? If the former, how have the persons on leave reserve been included in it? If the latter, will Government be pleased to state what portion of the Lee Commission Report provides for the cadre for the United Provinces at 30?

**Mr. G. S. Bajpai:** (a) The answer to the first part is in the affirmative, except that I have not been able to find any relevant reference in the *Gazette of the 7th October, 1933*. The posts of Inspector General of Civil Hospitals, North-West Frontier Province, and Director of Public Health, Central Provinces, are included in the cadre of the Indian Medical Service (Civil). The posts of Inspectors General of Civil Hospitals in all other provinces and the posts of Directors of Public Health in some of the other provinces are required to be filled by selection from amongst Indian Medical Service officers who were in civil employ on the 10th May, 1928, and whose rights have been protected under a notification of the 12th October, 1932, a copy of which has been placed in the Library of the House.

(b) The Lee Commission made no suggestions regarding the number of Indian Medical Service officers to be employed in the United Provinces. Under Devolution Rule 12, the Secretary of State in Council is the authority to prescribe the number of Indian Medical Service officers to be employed by a Local Government and the cadre sanctioned by him for the United Provinces consists of 24 specified posts and six officers to provide leave reserve.

## REVISED SCALES OF PAY FOR THE SUPERIOR SERVICES.

1191. \***Mr. S. C. Mitra:** (a) Has the attention of Government been drawn to the news published in the *Hindustan Times*, dated the 8th November, 1933, on page 1, under the caption "Revised Scales of Pay"?

(b) Is it a fact that the Government of India have decided not to take any further steps for revising the scales of salary of the Indian Civil Service and the Indian Police Service officers besides collection of some data by Mr. T. Sloan?

(c) Is it a fact that Government have announced the revised and reduced scales of pay for services under them?

(d) Do these revised scales include the revision of pay for the I. C. S. and I. P. S.? If not, is such a revision under contemplation by Government? If not, what are the grounds for not reducing the scales of pay for new entrants to those services? When do Government propose to announce their decision in regard to the reduction in pay of these two services?

(e) Will Government be pleased to give reasons for this differential treatment towards the high salaried and other lower salaried staff?

(f) Will Government be pleased to state the amount of saving that they expect within the next five years by the revised scales of pay introduced for the services under them?

(g) Will Government be pleased to state the amount of saving that would have accrued to them if the same general rate of reduction in pay were applied to the I. C. S. and the I. P. S. for the next five years?

(h) Why did not Government consider the question of revising the scales of pay for the I. C. S. and the I. P. S. first before touching the lower services?

(i) Have the Government of India been informed by the Secretary of State for India that the British Parliament is not likely to entertain any suggestion of the reduction of pay of the I. C. S. and the I. P. S. offices?

(j) If it is not proposed to revise the scales of pay of these two services, are Government prepared to give up the question of reducing the scales of pay of the other services as well? If not, why not?

(k) Is it contemplated to postpone the revision of pay of the I. C. S. and the I. P. S. for review till five years after the setting up of the new Constitution? If so, why?

(l) Will Government be pleased to state whether the General Purposes Sub-Committee of the Retrenchment Advisory Committee recommended the revision of pay simultaneously for all services? If so, will Government be pleased to state the reasons for accepting only one part of the recommendation?

**The Honourable Sir Harry Haig:** (a) and (c). Yes.

(b), (d), and (k). No recommendations have yet been made by the Government of India to the Secretary of State on the question of revision of rates of pay for new entrants to the Indian Civil Service and the Indian Police.

(e) Does not arise.

(f) and (g). The Government of India have not calculated the savings that will result in the next five years from the revision of pay of the services under their control, and they are unable to state what savings would accrue from hypothetical reductions in the scales of pay of the Indian Civil Service and the Indian Police.

(h) and (l). The Officer on Special Duty took up the case of the Indian Civil Service and the Indian Police at an early stage of his enquiry. The problems arising in these two services are more complicated than in the services recruited solely in India, and as they are All-India Services it has also been necessary to consult all Local Governments. This has naturally caused some delay in the consideration of the case.

(i) The Government of India have received no such information.

(j) The question of the scale of pay of each service has been considered on its merits.

**Mr. S. C. Mitra:** Do Government accept the general principle that before they revise the scale of pay of lower salaried officers, in justice and fairness, they should revise the scale of the high salaried officers?

**The Honourable Sir Harry Haig:** That is not the principle that has been followed or the procedure. What Government have endeavoured to do, as I have just stated, is to deal with the pay of each service on its own merits.

**Diwan Bahadur A. Ramaswami Mudaliar:** Have Government received replies from Local Governments who have been consulted on the subject?

**The Honourable Sir Harry Haig:** We have received replies from all Local Governments.

**Dr. Ziauddin Ahmad:** When are they likely to send their recommendations to the Secretary of State?

**The Honourable Sir Harry Haig:** Very shortly.

**Dr. Ziauddin Ahmad:** May I ask whether the retrenchment or reduction in salaries should be given effect to simultaneously both in regard to the services under the Government of India and the All India Services and that one should not have priority over the other?

**The Honourable Sir Harry Haig:** There can be no question of introducing revisions of pay with retrospective effect unless, as in the case of certain services, notice has been given.

**Dr. Ziauddin Ahmad:** My point was this. Whenever any scale of pay has been fixed for future men who are entering the service, the new scale should be applied simultaneously to the men in the service of the Government of India and in the All India Services and not applied one before the other?

**The Honourable Sir Harry Haig:** The new scales of pay have already been sanctioned and brought into force with regard to the services under the Government of India.

**Mr. K. C. Neogy:** Can the Honourable Member give an approximate idea as to the time that will be required for the Government of India to complete their inquiries in regard to these two services and also for the Secretary of State to make up his mind as to what action to be taken.

**The Honourable Sir Harry Haig:** I may say that within the last few days the Government of India have reached general conclusions, so far as they are concerned, and they propose to address the Secretary of State very shortly.

**Mr. Gaya Prasad Singh:** Do I take it that it is in pursuance of the recommendations of the Retrenchment Sub-Committee that the revised scale of pay for subordinate officers has been arrived at?

**The Honourable Sir Harry Haig:** The question of introducing new scales of pay for the services under the Government of India and, I think, also in the case of the I. C. S. and the Indian Police, was undoubtedly suggested by the Retrenchment Committee.

**Mr. Gaya Prasad Singh:** My question was whether the revised scale of pay for subordinate officers has been decided as a result of the recommendations of the General Purposes Sub-Committee of the Retrenchment Committee?

**The Honourable Sir Harry Haig:** I am not very familiar with the proceedings of that Committee, but I do not think that they went into any detailed recommendations. I think the recommendations were worked out by the Officer on Special Duty.

**Mr. Gaya Prasad Singh:** Is it a fact that the General Purposes Retrenchment Committee also recommended that the revised scales of pay should operate in the case of the I. C. S. and the Indian Police Service simultaneously with those of the subordinate staff?

**The Honourable Sir Harry Haig:** I have no recollection of any recommendation that the scales should issue simultaneously, but, as I have already said, they did wish the case of the I. C. S. and the Indian Police to be taken up.

**Mr. Lalchand Navalrai:** May I know from the Honourable Member if this revised scheme with regard to the higher-paid officials will come into operation after the introduction of the new Constitution, or before that?

**The Honourable Sir Harry Haig:** I am afraid I am not in a position to say anything about the conclusions that are likely to be reached on this question of the future pay of the I. C. S. and the Indian Police.

**Mr. Lalchand Navalrai:** What was then the justification for bringing into operation revised scales of pay with regard to the subordinates?

**The Honourable Sir Harry Haig:** The justification was "retrenchment".

**Mr. S. C. Mitra:** May I take it that if the higher authorities do not accept the Government scheme as regards the scales of pay of the higher-salaried officers, they will not enforce and penalise merely the lower-salaried men?

**The Honourable Sir Harry Haig:** Sir, as I have already stated, the Government of India think it necessary to deal with the pay of each service on its own merits, and they cannot accept the principle that if a revision of pay is not made in one service, therefore it must not be made in another service in which there appears to them to be full justification for making it.

**Mr. Gaya Prasad Singh:** Does not the justification for retrenchment operate equally in the case of officers of the I. C. S. and the Indian Police?

**The Honourable Sir Harry Haig:** No doubt, Sir, if the matter is put as the Honourable Member puts it, it sounds as if the higher-paid services should equally have their pay reduced; but, as I have already mentioned, there are special complications arising in the case of services which are recruited not solely in India.

**Mr. K. C. Neogy:** Does the Honourable Member realise that if there be any discriminatory treatment between the higher services like the I. C. S. and the other All India Services or the subordinate services then, so far as the future recruits are concerned, there may be loss of efficiency in the case of the latter class, having regard to the sure discontent that will arise so far as the lower services are concerned?

**The Honourable Sir Harry Haig:** I do not think that is a necessary conclusion.

**Mr. Gaya Prasad Singh:** Is it not a fact that the Retrenchment Committee was set up for the purpose of retrenching the pay and personnel of the subordinate Indian services and not of the Superior I. C. S. and Indian Police Service?

**The Honourable Sir Harry Haig:** The whole matter, as I have already stated, has received the most careful consideration and is receiving the most careful consideration now.

**Mr. Gaya Prasad Singh:** Do I understand that the revised scales of pay for the members of the I. C. S. and of the Indian Police will come into operation shortly?

**The Honourable Sir Harry Haig:** I can make no statement about our conclusions. The matter will now be referred to the Secretary of State.

**Mr. Gaya Prasad Singh:** When is the Secretary of State likely to reach his conclusion?

**The Honourable Sir Harry Haig:** I am afraid I am not in a position to make any statement on the subject.

**Dr. Ziauddin Ahmad:** Is it not a fact that the ratio of the average pay of the higher staff to the average pay of the subordinate staff is much higher in this country than it is in any other country, and that, by this discrimination which they are going to introduce, this ratio will become much higher?

**The Honourable Sir Harry Haig:** I would ask the Honourable Member not to make any assumptions which are not justified by what I have stated.

**Sardar Sant Singh:** Is it or is it not a fact that the proportion of the pay of the higher service officers to that of the lower service officers in England is 1 to 32 while in India it is 1 to 183?

**The Honourable Sir Harry Haig:** I am afraid I am entirely unacquainted with the figures which the Honourable Member just quoted.

**Sardar Sant Singh:** Will the Honourable Member please make inquiries and find out?

**The Honourable Sir Harry Haig:** If the Honourable Member will send me the figures on which he relies, and the authority for them, I shall be very glad to peruse them.

**Mr. T. N. Ramakrishna Reddi:** Do the Government see the advisability of giving effect to the revised scales of pay with regard to the subordinates simultaneously with the revised scales of pay for the I. C. S. and the Indian Police?

**Mr. President** (The Honourable Sir Shanmukham Chetty): That question has been asked already.

**Mr. B. Das:** May I inquire from the Honourable Member if the complications he refers to are the memoranda which the I. C. S. and the Indian Police Associations have submitted to the Joint Parliamentary Committee, and whether it is not a fact that they mentioned there that they did not want their salaries, emoluments and allowances to be in any way reduced?

**The Honourable Sir Harry Haig:** I think the Honourable Member is referring to a different point. We are discussing at the moment the question of the rates of pay for new entrants and not the question of maintaining the rates of pay of existing members.

**Mr. B. Das:** Was it not mentioned in those memoranda that they would not like any lowering of the scales of pay of the new entrants for the I. C. S. and the Indian Police?

**The Honourable Sir Harry Haig:** I am afraid I cannot carry in my mind what was said in these memoranda, but it seems to me on the face of it improbable that serving members will take any very keen interest in the pay of their successors.

**Mr. B. Das:** Is not the Honourable Member a member of the I. C. S. Association which submitted that memorandum?

**The Honourable Sir Harry Haig:** No, Sir. I am certainly not. In my present position it would be quite improper for me to be a member of the I. C. S. Association.

**Diwan Bahadur A. Ramaswami Mudaliar:** In view of the general misapprehension that has been caused over this question, is not the Honourable Member in a position to say that the conclusions, which the Government of India have arrived at on this question, do involve a revision of the scales

of pay for the I. C. S. and the Indian Police, and that that revision is in the direction of reducing the present rates of pay? I do not ask any further details.

**The Honourable Sir Harry Haig:** I am sorry not to be able to meet my Honourable friend as I am not in a position to make any statement with regard to the nature of the conclusions of the Government of India.

**Mr. Lalchand Navalrai:** May I know from the Honourable Member if new entrants into the higher services are being entertained on the existing rates of pay or not?

**The Honourable Sir Harry Haig:** I am not sure whether the Honourable Member refers to the I. C. S. and the Indian Police. At present the new entrants into those services are coming in on the existing rates of pay.

**Mr. K. C. Neogy:** The Honourable Member has stated that the present members of the services are not expected to be quite so keen on the retention of the existing emoluments so far as the new entrants are concerned. Do I take it that that represents the opinion of the Government of India as a whole and do I take it that that also gives us an indication about the attitude which the Government of India have taken in the matter?

**The Honourable Sir Harry Haig:** The concern of the Government of India is to secure that there shall be such rates of pay fixed for new entrants as will ensure our getting an adequate supply of candidates of the class required.

#### MUSLIM SUPERINTENDENTS IN THE GOVERNMENT OF INDIA DEPARTMENTS.

1192. \***Mr. Muhammad Azhar Ali:** (a) Is it a fact that on the 1st October, 1933, there were four Muslim Superintendents in all the Departments of the Government of India, Secretariat, two of them being in the Finance Department?

(b) Is it a fact that both the Muslim Superintendents in the Finance Department, have been compulsorily made to retire from Government service? If so, will Government please state the reasons for taking such a drastic measure?

(c) Will Government please state what is the percentage of Muslims to the total strength in the Finance Department?

(d) Is it a fact that there is not a single Muslim in the Upper-Timescale of the Finance Department?

(e) Will Government please state what steps they propose to take to increase the Muslim representation in the Finance Department?

(f) Are Government aware that the retirement of the three Indian Superintendents has created an impression that Government wanted to promote the interests of the Anglo-Indians in the Finance Department?

(g) Is it a fact that one of the retrenched Muslim Superintendents worked satisfactorily as an Assistant Secretary for  $2\frac{1}{2}$  years? Is it a fact that his post was abolished and the second post of an Assistant Secretary retained and given to an Anglo-Indian who was junior to him in service?

(h) Are Government aware that this action of the Finance Department in retiring three Indian Superintendents simultaneously has caused great consternation among all the communities of the Government of India Secretariat and has created a feeling of insecurity of service?

(i) Will Government please state in how many cases Article 465-A of the Civil Service Regulations, under which the three Indian officers have been made to retire, has been applied since 1914?

**The Honourable Sir George Schuster:** (a) Yes.

(b) Two Muslim Superintendents and a Hindu Superintendent in the Finance Department have recently proceeded on the full amount of leave due to them preparatory to retirement.

(c) 22 per cent.

(d) I presume that the Honourable Member refers to the upper time scale for first division clerks. None of the five posts on this scale is at present held by a Muslim.

(e) The Finance Department will observe the policy determined by the Government of India in this matter. That policy is now under discussion.

(f) No.

(g) One of the Muslim Superintendents officiated as Assistant Secretary for nearly 2½ years. He was reverted owing to the reduction in the number of posts of Assistant Secretary from three to two and no Anglo-Indian has been appointed in his place. In this connection I would invite the attention of the Honourable Member to the reply given to unstarred question No. 161 asked by Mr. Maswood Ahmad on the 30th of September, 1932.

(h) No.

(i) The information is not readily available.

#### CREATION OF THE POSTS OF CERTAIN OFFICERS IN THE FINANCE DEPARTMENT.

1193. \***Mr. Muhammad Azhar Ali:** (a) Is it a fact that new posts of an Assistant Secretary, a Special Officer and an Additional Secretary have recently been created in the Finance Department? If so, will Government please state the reasons for creating these posts in these days of retrenchment?

(b) Are Government aware that there is a general feeling among the public that considerations of economy are pressed by the Finance Department upon other Departments and not applied to their own Department?

**The Honourable Sir George Schuster:** (a) One temporary post of Additional Secretary has been created in the Finance Department for a period of six months and one post of Officer on Special Duty for about 1½ months. Both of these have been created for the purpose of dealing with special work in connection with the Reserve Bank. The Officer on Special Duty is also in charge of some of the ordinary work of the Department and one post of Assistant Secretary is being held in abeyance during the period of his appointment.

(b) No. The Government cannot believe that such a misapprehension should exist.

**EVIDENCE OF THE SECRETARY OF STATE FOR INDIA ON THE SUBJECT OF RECIPROCITY AND RETALIATION IN RELATION TO THE DOMINIONS OF THE BRITISH EMPIRE.**

1194. \***Mr. B. Das:** (a) Has the attention of Government been drawn to the press reports published in *The National Call* of November 8th, giving a summary of the evidence tendered by the Secretary of State for India on the subject of reciprocity and retaliation in relation to the Dominions of the British Empire?

(b) Is the report published in the Press a correct statement of the position taken up by the Secretary of State?

(c) If the report is correct, do Government agree with the position taken up by the Secretary of State?

(d) Did Government send in their recommendation on the subject before the Secretary of State gave his evidence, and was that recommendation different from the view expressed by the Secretary of State?

(e) Have Government made any representation to the Secretary of State on the subject of his evidence, and, if so, will they please place the correspondence on the subject on the table of the House?

(f) Are Government aware that the Secretary of State's evidence on the subject has created resentment in the country?

**The Honourable Sir Brojendra Mitter:** (a) Yes.

(b) and (c). The report in the Press is necessarily brief. Copies of the minutes of evidence given by the Secretary of State for India before the Joint Select Committee have been placed in the Library of the House.

(d) and (e). The subject matter of paragraphs 122-124 of the White Paper proposals has been discussed with the Secretary of State, but Government regret that the correspondence cannot be laid on the table of the House.

(f) Yes.

Sir, may I add that this matter may not be further pursued at the moment, because we are arranging to have a debate shortly.

**Mr. B. Das:** That will satisfy me.

**ADMINISTRATION OF JUSTICE IN PROVINCES WHERE THE HIGH COURTS ARE UNDER THE LOCAL GOVERNMENTS.**

1195. \***Pandit Ram Krishna Jha:** Will Government be pleased to state whether they are responsible for the efficient and timely administration of justice in the provinces where the High Courts are under the Local Government?

**The Honourable Sir Harry Haig:** The administration of justice is a provincial subject.

**DELAY IN DISPENSING JUSTICE.**

1196. \***Pandit Ram Krishna Jha:** Will Government be pleased to state whether after such effect as has been given to some of the recommendations

of the Civil Justice Committee, delay in dispensing justice has been appreciably reduced? If not, do Government propose to take any other steps to avoid undue delay in the disposal of the cases? If not, why not?

**The Honourable Sir Harry Haig:** Effect has been given to a number of proposals designed to reduce the law's delays. Local Governments are primarily responsible for the administration of justice, in consultation with High Courts, and are fully alive to the importance of taking such measures as are practicable to further this end.

#### NUMBER OF JUDGES IN EACH HIGH COURT IN INDIA.

1197. \***Pandit Ram Krishna Jha:** Will Government be pleased to state the number of the judges of each of the High Courts in India on the date the report of the Civil Justice Committee was submitted to Government, and the number of judges of each of the High Courts in the month of October, 1933?

**The Honourable Sir Harry Haig:** I lay on the table a statement giving the information.

*Statement showing the number of Judges of High Courts including Additional Judges in January, 1925 and October, 1933.*

High Courts.	1925.	1933.
Madras	12	14
Bombay	10	11
Calcutta	16	16
Allahabad	9	12
Lahore	11	14
Patna	9	10
Rangoon	11	11

#### APPOINTMENT OF JUDGES IN HIGH COURTS UNDER THE LOCAL GOVERNMENTS.

1198. \***Pandit Ram Krishna Jha:** Will Government be pleased to state if they are responsible for the appointment of judges in the High Courts which are under Local Governments? If so, what is the procedure adopted in the selection of persons for appointment as Judges in such High Courts?

**The Honourable Sir Harry Haig:** Permanent appointments to the High Courts are made by His Majesty under section 101 of the Government of India Act.

#### INDO-JAPANESE TRADE AGREEMENT.

1199. \***Mr. B. Das:** (a) Will Government be pleased to state whether a new Indo-Japanese Trade Agreement has been entered into, and the date from which it has come into operation?

(b) Will Government be pleased to state the terms of final settlement of the Indo-Japanese Agreement?

(c) Is it a fact that Government had to extend the terms of the old agreement by another one month since the original extension of six months was sanctioned?

**The Honourable Sir Joseph Bhore:** (a) and (b). The negotiations with the Japanese representatives are still in progress and no trade agreement has so far been reached.

(c) The Honourable Member's attention is invited to the Government of India, Commerce Department Press Communiqués, dated the 27th and the 30th September, 1933.

**Mr. B. Das:** Will the Honourable Member kindly give us a forecast as to when these negotiations with the Japanese Delegation will terminate?

**The Honourable Sir Joseph Bhore:** I am afraid I cannot give any opinion in the matter.

**Mr. B. Das:** Did my Honourable friend anticipate in September that it would drag on till November and might drag on till next year?

**The Honourable Sir Joseph Bhore:** It is no good by giving my Honourable friend a statement of my own anticipations in the matter.

**Diwan Bahadur A. Ramaswami Mudaliar:** Is it not a fact that the month's extension has now expired, and may I know what is the state of affairs today?

**The Honourable Sir Joseph Bhore:** The state of affairs today is that this country is no longer in trade treaty relations with Japan.

**Mr. S. G. Jog:** Will the Honourable Member see to it to withdraw the concessions suggested from the Japanese Delegation so that there may be a *status quo* and a free atmosphere between the two countries while the trade negotiations are going on?

**The Honourable Sir Joseph Bhore:** I think my Honourable friend is aware that the extension of a month was not made conditional upon the withdrawal of the boycott.

**Mr. S. G. Jog:** Have the Government of India realised the effects of the continuance of the boycott by Japan on the country producers of India?

**Mr. President (The Honourable Sir Shanmukham Chetty):** The Chair ought to intervene. When negotiations are being carried on and not yet concluded between the Government of India and a foreign Government, this House will do well not to ask too many questions on the subject.

#### LOSS OF LETTERS OF CREDENTIALS OF THE JAPANESE DELEGATION.

1200. \***Mr. B. Das:** Has the attention of Government been drawn to the statement in the Press that the Japanese Delegation could not present their letters of credentials as these were lost during the voyage?

**Mr. H. A. F. Metcalfe:** Government's attention has not hitherto been drawn to the statement referred to.

**Mr. B. Das:** Do I take it that neither the Foreign Office nor the Director of Statistics under the Commerce Department, nor even the Director of Information who is under the Home Department have a knowledge of this Press report which is a common knowledge throughout the length and breadth of India?

**Mr. H. A. F. Metcalfe:** I am not sure what the Honourable Member requires. If it is information as regards the truth of the Press report, I can say that owing to an unfortunate oversight credentials of some of the members of the Deputation were left behind, but steps were immediately taken to obtain those credentials before any formal business was undertaken by the Delegation.

**Mr. B. Das:** May I just mention for my Honourable friend's information that the Press report was that the letters of credentials of the whole of the Japanese Delegation were lost and not only of some members.

**Mr. H. A. F. Metcalfe:** I have already contradicted that statement. That is not the fact. What I have stated is the fact.

#### RESULT OF THE CONFERENCE CONVENED BY THE PRESIDENT OF THE BOMBAY MILLOWNERS' ASSOCIATION.

1201. \***Mr. B. Das:** (a) Will Government be pleased to state if they participated, or assisted in any way, in the tripartite conference as was convened by the President of the Bombay Millowners' Association?

(b) Will Government be pleased to state if they are in a position to state the result of that conference and if any non-official trade convention has been reached?

(c) Has the attention of Government been drawn to the statement in the press issued by Messrs. Kasturbhai Lalbhai, D. P. Khaitan and Lala Shri Ram on behalf of all the millowners *minus* those of the Bombay City that the up-country millowners dissociate themselves completely from any private understanding that Bombay millwallas might have reached with the Lancashire Delegation?

**The Honourable Sir Joseph Bhore:** (a) No, Sir.

(b) The result of the conference including the text of the agreement entered into between the Lancashire Delegation and the Millowners' Association, Bombay, has already appeared in the Press.

(c) The attention of Government has been drawn to the statement. Government do not know on whose behalf the statement was issued.

**Mr. Gaya Prasad Singh:** Are Government aware that the agreement which has been entered into by the Bombay Millowners' Association and the Lancashire Delegation has been denounced by upcountry millowners?

**The Honourable Sir Joseph Bhore:** I understand that the agreement between the Millowners' Association, Bombay, and the Lancashire Delegation has not met with the entire approval of certain sections of the textile industry in India.

**Mr. Gaya Prasad Singh:** Are Government aware that the Chamber of Commerce of Bombay has also passed a resolution denouncing Mr. H. P. Mody and other gentlemen who were the sponsors of the agreement?

**The Honourable Sir Joseph Bhore:** If my Honourable friend had read today's paper, he would have seen a statement there that the Indian Merchants' Association, Bombay, contemplate the revision of that resolution.

**Diwan Bahadur A. Ramaswami Mudaliar:** Is it a fact that the Mill-owners' Association, Bombay,—to give it its proper title—include the millowners not only of the City of Bombay, but of many other mills both in upcountry and in Southern India? Is it not a fact also that a considerable section of the millowners outside the Bombay City have supported this agreement?

**The Honourable Sir Joseph Bhore:** My Honourable friend is quite correct.

**Mr. K. C. Neogy:** Have the Government applied their mind at all to the subject-matter of this agreement between the Bombay Millowners' Association and the Lancashire Delegation?

**The Honourable Sir Joseph Bhore:** Government have naturally considered it and as, I think, I mentioned the other day, the action that they will take upon it will be made clear to the House when they come before this House with their proposals in respect of cotton textiles during the next Session.

**Mr. R. S. Sarma:** In view of the reply of the Honourable the Commerce Member that he does not know on whose behalf these gentlemen have issued that memorandum, will he tell us whether these gentlemen were invited by him only yesterday to confer with him and on whose behalf he asked them to confer with him?

**The Honourable Sir Joseph Bhore:** My Honourable friend is singularly ignorant of what has taken place during the last two months. In order to assist Government in carrying on their negotiations with Japan, they invited representatives of the cotton textile industry and of various other interests in the country, and these gentlemen came as representatives of the textile interests.

**Mr. K. C. Neogy:** Has the Honourable Member's attention been drawn to a statement which the President of the Board of Trade made recently in the House of Commons in his speech on the debate on the address in which he stated as follows:

"The main result achieved by the Delegation in India was the willingness of the Government of India to discuss the new agreement immediately the Japanese negotiations were concluded."

May I know on what occasion and in what manner and in what terms this particular assurance was given?

**The Honourable Sir Joseph Bhore:** That no doubt refers to the passage in the letter which I addressed to Sir William Clare-Lees, the head of the Manchester Delegation, a copy of which is being placed in the Library of the House as I promised my Honourable friend that it would be placed.

**Mr. B. Das:** Will the Honourable Member kindly tell me whether it is not a fact that the Bombay Millowners' Association consists of more than 60 per cent. of European members; whether it is not a fact that the Bombay Millowners' Association only represent a moiety of the textile industries of India; and whether it is not a fact that the gentlemen, whose names I have mentioned here, represent very large portions of the textile industry in India?

**The Honourable Sir Joseph Bhore:** My Honourable friend has put so many questions in one that I am afraid I cannot carry them all in my head.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Only the first question need be answered, namely, whether it is not a fact that the Bombay Millowners' Association contains more than 60 per cent. of European interests. The second and the third do not require an answer.

**The Honourable Sir Joseph Bhore:** I have no definite information on that point, but I should think that it was unlikely.

**Mr. Gaya Prasad Singh:** In view of the fact that the Honourable the Commerce Member seems to keep a close touch with the Bombay Millowners' Association, may I know if the Government of India gave their moral support to Mr. Mody's Association in arriving at an agreement with the Lancashire delegates?

**The Honourable Sir Joseph Bhore:** What does my Honourable friend mean by "moral support"?

**Mr. B. Das:** With reference to part (a) of my question as to the convening of the tripartite conference by the President of the Bombay Millowners' Association, will the Honourable the Commerce Member kindly tell me what happened about the non-official negotiations of the Bombay Millwallas with the Japanese non-official Commercial Delegation?

**The Honourable Sir Joseph Bhore:** I do not exactly know what my Honourable friend means by the phrase "Bombay Millwallas". Does he mean the workers in the Bombay Mills?

**Mr. B. Das:** I mean the Bombay Millowners. That is the usual phrase that is used in the Bombay Presidency.

**The Honourable Sir Joseph Bhore:** I am afraid I cannot give my Honourable friend any information as to what resulted from the conversations between the Millowners of India and the Japanese representatives. That is an unofficial matter in which these two Delegations alone were concerned.

**Mr. B. Das:** Was not the Honourable Member's Department inquisitive in any way to know what happened in the negotiations of the Indian Millowners with the Japanese Commercial Millowners in the same way as the Honourable Member took notice of what happened in their negotiations with the Lancashire Millowners.

**The Honourable Sir Joseph Bhore:** So far as the Lancashire conversations were concerned, Government were informed definitely of the results that had been achieved. But so far as other conversations are concerned, Government have no information.

**Mr. B. Das:** Is there any truth in the news that I read somewhere that the Japanese Millowners were insulted by the way they were handled by the President of the Bombay Millowners' Association and that, therefore, they did not negotiate with them in any way?

**Mr. President** (The Honourable Sir Shanmukham Chetty): That is not the concern of the Government.

**Dr. Ziauddin Ahmad:** In view of the fact that the cottage industry plays a very important part in the textile industry of this country, may I know whether the interests of the cottage industries have also been kept in view in these negotiations with Japan and the Millowners of Bombay? That is a point which we will have to discuss on the floor of the House.

**The Honourable Sir Joseph Bhore:** My Honourable friend put that question to me a few days ago and I gave him a very categorical reply that they most certainly have been kept in the forefront during our consultations with our non-official advisers, representatives of the cottage industry were invited by us to give us their views before we took any action.

**Mr. S. G. Jog:** Have you arrived at the final stage?

**The Honourable Sir Joseph Bhore:** My Honourable friend must wait and see.

**Mr. Gaya Prasad Singh:** May I take it that this House and the country outside will be given an opportunity to discuss this question before the agreement arrived at with the Lancashire delegates is given effect to by Government?

**The Honourable Sir Joseph Bhore:** My Honourable friend, being an old Member of the House, must surely realise that so far as any agreement with the Lancashire delegates means legislation, it must come before this House before it is given effect to.

**Mr. Gaya Prasad Singh:** Do I understand that no executive action will be possible without giving this House an opportunity to discuss the agreement?

**The Honourable Sir Joseph Bhore:** What does my Honourable friend mean by executive action?

**Mr. Gaya Prasad Singh:** It is for the Honourable Member to say that no executive action will be taken with regard to the manipulation of tariffs or otherwise without the consent of this House.

**The Honourable Sir Joseph Bhore:** I am not aware of the way in which executive action might be taken to manipulate tariffs.

**Mr. Gaya Prasad Singh:** I am glad of this assurance.

**Mr. B. Das:** Why, under the Indian Tariff Act.

#### REPORT OF THE TARIFF BOARD ON THE COTTON TEXTILE INDUSTRIES.

1202. \***Mr. B. Das:** (a) Will Government be pleased to state when they intend to publish the Tariff Board's report on the cotton textile industries?

(b) Will Government be pleased to state if they intend to grant any further measure of protection to the cotton mill industries and if so, when they intend to legislate for it?

**The Honourable Sir Joseph Bhore:** (a) As I explained to the Honourable Members during the discussions in this House on the Cotton Textile Industry Protection (Second Amendment) Bill, 1933, it is not the normal practice to publish the Tariff Board's reports in advance of the announcement of the considered conclusions of the Government of India.

(b) The proposals of the Government of India will be placed before the Legislature in time to permit of a final decision before the expiry of the existing period of protection.

#### INDO-JAPANESE TRADE AGREEMENT.

1203. \***Mr. B. Das:** Will Government be pleased to state:

(a) if they will legislate to give effect to the new Indo-Japanese Trade Agreement;

(b) if they will allot a day for discussion of the Indo-Japanese Trade Agreement during the ensuing Session?

**The Honourable Sir Joseph Bhore:** (a) So far as may be necessary, yes.

(b) The Honourable Member is referred to my answer to part (b) of Dr. Ziauddin Ahmad's question No. 1145.

#### ESTABLISHMENT OF A STATUTORY FINANCE COMMITTEE IN THE EAST AFRICAN COLONIES.

1204. \***Mr. B. Das:** (a) Will Government be pleased to state the present position of the European settlers' scheme for the establishment of a Statutory Finance Committee in the East African Colonies?

(b) Will Government be pleased to lay on the table all correspondence between themselves and the British Colonial Secretary or the Secretary of State for India on the subject?

(c) What steps have Government taken so far to protect the rights of Indian settlers in this crisis?

**Mr. G. S. Baijai:** (a) and (c). I have nothing to add to the Press note on the subject which was issued on the 11th August.

(b) The Honourable Member's suggestion is being considered.

**SUSPENSION OF CERTAIN EMPLOYEES OF THE HORTICULTURE DIVISION,  
CENTRAL PUBLIC WORKS DEPARTMENT.**

(a) Is it a fact that certain employees of the Horticulture Division, Central Public Works Department were suspended in September, 1930, on the report of the Audit Department? If so, how many, and what was their position in the Department?

(b) Were any charges framed against them by the Department before they were suspended? If not, when were the charges framed? Is it not a rule that charges should be framed before suspension of Government employees?

(c) Is it a fact that subsequently the case was made over to the police and some of the employees were prosecuted? If so, who were prosecuted, and who were let out early?

(d) Is it a fact that during the examination of prosecution witnesses, officers of the Department admitted that labour was really employed at officers bungalows, Gymkhana Club, Polo Ground, etc. under the orders of the Superintendent, Horticulture Division, and was charged to Government revenues?

(e) Is it a fact that the employees under suspension only carried out the orders of their supervisors?

(f) Is it a fact that the Superintending Engineer of the Horticulture Division was also the Secretary of the Gymkhana Club? If so, do Government propose to take any action against him for employing Government labour in that Club? If not, why not?

(g) Who was the officer of the Central Public Works Department who was holding the office of the Secretary, Gymkhana Club during the period 1928-30? Is he not the same officer who started the case as Superintending Engineer and eventually decided it as Chief Engineer?

(h) Is it a fact that the Superintendent, Horticulture Division, under whose orders the labour was so employed by his subordinates, was a European? Is it also a fact that he was neither prosecuted nor punished departmentally? If so, what is the reason for this racial discrimination?

(i) Is it a fact that the Indian employees were discharged by the trying magistrate who in his judgment recommended the re-instatement of these employees in the following words?

"I find no evidence against any of the accused and I discharge them accordingly. There having been a *bonâ fide* mistake against the accused in this case, and the least that can be done to rectify it is to re-instate all the accused in their places and I recommend that this may be done by their masters, the Public Works Department and the Central Accounts Office authorities."

(j) Is it a fact that, in spite of the clear finding of the magistrate as to the innocence of the accused, the Department again formulated the same charges which the Court had substantially disposed of in its judgment? If so, under what rules?

(k) How much amount was spent by Government in this case?

**The Honourable Sir Frank Noyce:** (a) A statement giving the names and particulars of the officials suspended in connection with the case to which the Honourable Member refers is laid on the table.

(b) Charges were not framed before these officials were suspended. Charges were framed in January, 1933. It is not necessary to frame charges before orders of suspension are framed.

(c) Yes; the case was referred to the police and the persons named at Serial No. 1-8 in the list referred to in part (a) above were prosecuted. Mr. Daulat Ram was discharged at an early stage of the proceedings. The other persons accused were also discharged at the conclusion of the evidence for the prosecution.

(d) No.

(e) No.

(f) The Superintending Engineer concerned was also Secretary of the Imperial Delhi Gymkhana Club. Government see no reason to take action against him as there is no foundation whatever for the allegation.

(g) Mr. F. T. Jones, C.I.E. The case was started at the instance of the Audit Department, and Mr. Jones dealt with it as Superintending Engineer and Chief Engineer.

(h) The officer who held the post of Superintendent, Horticultural Division, was a European. It is correct that he has not been prosecuted or punished departmentally. The Government of India are satisfied that he was not a party to the defalcations that took place.

(i) Yes.

(j) No. Departmental charges were framed independently to cover all the allegations of departmental misconduct. Judicial proceedings are no bar to departmental proceedings.

(k) As the work connected with the police investigation and the judicial and departmental proceedings was done by permanent officials in the course of their ordinary duties, no estimate of the expenditure on the case can be given.

*Statement.*

Serial No.	Name.	Designation.	Date of suspension.	Remarks.
1	Mr. Des Raj . . .	Temporary Horticultural Subordinate	4-9-30	
2	Mr. Sohan Singh . . .	Ditto . . .	15-10-30 (Afternoon)	
3	Mr. Gopal Kishen Mathur.	Temporary Clerk . . .	15-10-30 (Afternoon)	
4	Mr. P. N. Kachar . . .	Temporary Accounts Clerk.	16-10-30	
5	Mr. Daulat Ram . . .	Temporary Accountant.	18-10-30	
6	Mr. Manohar Lal Mittal.	Temporary Assistant Cashier.	29-9-31	
7	Mr. Shambu Dial . . .	Ditto . . .	29-9-31	Central Accounts Office.
8	Mr. Gopal Dat . . .	Ditto . . .	29-9-31	
9	Mr. Mulk Raj . . .	Temporary Accounts Clerk.	27-2-33	

**Sardar Sant Singh:** May I know that when the Magistrate who tried the case discharges the accused by stating that there is no evidence against the accused, is not the Department bound by the finding of the Magistrate?

**The Honourable Sir Frank Noyce:** No, Sir. As I have said in reply to part (j) judicial proceedings are no bar to departmental proceedings.

**Mr. B. R. Puri:** Was not the whole of the case placed before the Court? Why a portion of the case was withheld from the Court?

**The Honourable Sir Frank Noyce:** As far as I know, the whole of the case was placed before the Court as far as it then appeared possible to do so.

**Mr. B. R. Puri:** If the whole of the case was in fact placed before the Court, the fact that the accused had been discharged would stop the Department from proceeding departmentally against these very accused persons on same materials which had already been placed before the Court.

**The Honourable Sir Frank Noyce:** Departmental misconduct and conduct that brings a man within the purview of a Criminal Court are two different matters. I may explain for the information of the House that I should have failed in my duty to my Department if I had not ordered a departmental inquiry into a case of this kind which had broken down. I should also have been failing in my duty to this House as this case is bound to be mentioned in the appropriation report which is presented to the Public Accounts Committee.

**Mr. Lalchand Navalrai:** May I know from the Honourable Member if the motive of the accused, namely, that they were being employed by the Superintendent for private work was brought to the notice of the Court and decided upon?

**The Honourable Sir Frank Noyce:** I cannot bear in mind all the details of this most confused and confusing case. I have gone into the papers with some care and, as far as I know, there is no ground whatever for the allegation that men were utilised illegitimately for private work.

**Mr. Lalchand Navalrai:** Has the Honourable Member got a copy of the discharge order?

**The Honourable Sir Frank Noyce:** Naturally, Sir.

**Mr. B. R. Puri:** Will the Honourable Member place a copy of the order discharging the accused as well as a copy of the various charges which were framed from time to time?

**The Honourable Sir Frank Noyce:** I am not prepared to place the records of the departmental inquiry on the table of the House.

**Mr. B. R. Puri:** I am not asking for the proceedings of the departmental inquiry. I am only asking for the copies of the discharge order and the various charges.

**The Honourable Sir Frank Noyce:** No, Sir.

**Sardar Sant Singh:** May I know whether the Government realise this fact that in a court of law when the Government are prosecuting their servants, both the Government and the accused are on the same level and placed before an impartial tribunal?

**The Honourable Sir Frank Noyce:** That may be so.

**Sardar Sant Singh:** In that case when the Magistrate, after hearing all the evidence, comes to the conclusion that there has been a *bona fide* mistake against the accused in this case, what justification is left to the Government to use their departmental machinery when the finding of that impartial tribunal is against them?

**The Honourable Sir Frank Noyce:** A departmental inquiry was held into this case by two officers independently, by the Chief Engineer and by the Accountant General, Central Revenues. As I have said, this was a most confused and confusing case, but both these two officers came independently to the conclusion that a serious fraud had been committed. It seems to me that in a case of this complicated character, the opinion of officers of that standing that a serious fraud had been committed is of greater value than that of the Magistrate. I may explain for the information of the House that these men were temporary men and it was open to Government to discharge them at a month's notice. Instead of doing that, a proper inquiry was held into the allegations of departmental misconduct, the Chief Engineer inflicted certain punishments and the case came up to Government on appeal when it was examined by me personally most carefully. Ordinarily it would not have come to Government on appeal as these officers were not of the rank to which an appeal ordinarily lies to the Government of India. It came to the Government of India, because the original orders were passed by the Chief Engineer. I can assure the House that I have gone into the case most carefully myself and I can also assure the House that, to the best of my belief, justice has been done.

**Mr. M. Maswood Ahmad:** Is it a fact that Government were not satisfied with the judgment of the Magistrate?

**The Honourable Sir Frank Noyce:** Naturally, Sir. As I have explained to the House, I should have failed in my duty if I had not made further inquiries into a case which broke down as badly as this one did. It was obvious that there was something unsatisfactory somewhere and naturally I had to find out exactly what was wrong. It may be that the case was presented badly before the Magistrate and it was for that reason that it broke down.

**Mr. M. Maswood Ahmad:** If Government were not satisfied with the judgment of the Magistrate, was it not open to them to move the High Court against the acquittal or the discharge?

**The Honourable Sir Frank Noyce:** That may be so, but as I have pointed out, the punishment meted out to these officials was for departmental irregularities and not for criminal irregularities.

**Mr. B. R. Puri:** May I know definitely whether the Department is not bound by the verdict which has been given by the Magistrate who has judicially tried this case?

**The Honourable Sir Frank Noyce:** No, Sir.

**Mr. B. R. Puri:** If Government were not satisfied with the order of the Magistrate, did they put in any revision against that order of discharge?

**The Honourable Sir Frank Noyce:** I have explained more than once that we dealt with this case from the point of view of departmental irregularities, negligence and the rest, which enabled frauds to be committed. We have not dealt with it from the point of view of criminal intention. Certain frauds were committed and the officials, through whose negligence, criminal or otherwise, these frauds were allowed to be committed, were suitably dealt with. The question of criminal intention does not, therefore, arise.

**Mr. S. C. Mitra:** Will the Honourable Member tell this House whether, in the departmental inquiry, facilities were afforded to these accused persons to personally represent their case and, if any evidence was produced against them, to test that evidence by cross-examination?

**The Honourable Sir Frank Noyce:** The departmental inquiry was held in the usual regular manner.

**Mr. S. C. Mitra:** Do Government realise that they only got a one-sided version of the case, and when it was held by a Magistrate in a regular Court of law that there was a *bona fide* mistake against the accused, was it not unfair and unjust for the executive to go behind the judgment of a competent Court of law and punish these poor people?

**The Honourable Sir Frank Noyce:** I do not think, Sir, that I can usefully add anything to the reply that I have already given.

**Mr. Amar Nath Dutt:** May I know if Government took any steps to have those remarks expunged by way of appeal or revision before taking any further action according to their own views?

**The Honourable Sir Frank Noyce:** I have already answered that question, Sir.

**Sir Cowasji Jehangir:** If it was evident that a fraud had been committed and the prosecution failed, who was responsible for the failure of that prosecution? If it was a good case, the prosecution should not have failed, and steps should have been taken against those who were responsible for this failure.

**The Honourable Sir Frank Noyce:** That may be so, but it hardly falls within my province.

**Mr. B. Das:** In view of the fact that the departmental inquiry came after the judgment of a competent Court, is it not fair that these unfortunate persons should get their salaries and emoluments till the day the Court delivered the judgment?

**The Honourable Sir Frank Noyce:** They were on subsistence allowance.

• **Mr. R. S. Sarma:** May I know whether in such cases the departmental inquiry precedes the judicial inquiry by a Magistrate or follows it?

**The Honourable Sir Frank Noyce:** A preliminary departmental inquiry is made up to the point at which it appears desirable that the case should be handed over to the police.

**Sardar Sant Singh:** In view of the fact that an impartial tribunal has given judgment in unmistakable terms that there was no fault for which these men should have been prosecuted and, as a matter of fact recommended their reinstatement, does it not seem vindictive on the part of the Department which is, after all, a party to the case, that they should proceed further and persist . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): Order, order, that is not a question. To ask whether it is not vindictive is simply asking for an opinion. Next question.

#### APPROVAL OF THE INDIAN MEDICAL COUNCIL ACT BY THE BRITISH MEDICAL COUNCIL.

1206. **\*Mr. Lalchand Navalrai:** (a) Will Government be pleased to make a full statement whether the British Medical Council has approved of the Indian Medical Council Act? If not, what objections have they and what is the effect thereof?

(b) What is the view of the Secretary of State for India on this measure?

(c) Is there any move to interfere with or whittle down the Act by amending the White Paper or making a provision in the Constitution Act, guaranteeing permanent right of practice to British qualified doctors in India? If so, what action do Government propose to take to avert such a move?

**Mr. G. S. Bajpai:** (a) Government have no information. They did not ask for the views of the British Medical Council on the Act.

(b) There has been no correspondence between Government and the India Office on this subject.

(c) I have nothing to add to the statement made by me in this House on the 20th September, 1933, that the Joint Select Committee which has to consider the position of British professional men will be free to consider the subject in all its bearings.

**Mr. K. C. Neogy:** Has the Honourable Member's attention been drawn to the evidence given by the Secretary of State before the Joint Parliamentary Committee in course of which, while dealing with the question of commercial discrimination, he said that he will have something to say on the question of the rights of the British medical practitioners in India?

**Mr. G. S. Bajpai:** Yes, Sir, my attention has been drawn to that, but, in the subsequent reports of the evidence, it appears that the Secretary of State did not follow up what he said.

**Mr. K. G. Neogy:** Was there any correspondence at all on this question between the Government of India and the Secretary of State after the passing of the Act?

**Mr. G. S. Bajpai:** I have already answered this question that there has been no correspondence between Government and the India Office on this subject.

**Mr. Lalchand Navalrai:** Has the Honourable Member read reports in the newspapers that the British Medical Council are not satisfied and, on that account, there is something going to be done in the new Constitution? If the Honourable Member has read that, should he not have got the information and given it to the House?

**Mr. G. S. Bajpai:** My Honourable friend seems to have a most touching faith in the veracity of everything that appears in the newspapers. I cannot really take action upon all that appears in the newspapers as to whether A is satisfied and B is dissatisfied. I can only take action on official material and, on the basis of such official material as I have, I have already answered this question.

**Mr. Lalchand Navalrai:** My Honourable friend is more wide awake about papers than I am, but my question is that, having got certain allegations made in the papers, when the Honourable Member saw that questions were put about getting certain information, was it not the Honourable Member's duty to make some inquiry and give information on this point?

**Mr. G. S. Bajpai:** My Honourable friend's question was, firstly, whether Government obtained the views of the British Medical Council, and my answer is, no, because it is not our business to obtain the views of the British Medical Council as to what they think about an Act of this Legislature. His second question was, whether there has been any correspondence with the India Office, and my answer is in the negative. His third question was, what does the Secretary of State think about it, and I have said that, what I had to say on the subject, was stated in the course of the debate on the second reading of the Bill. There has been nothing subsequent to that.

**Mr. Lalchand Navalrai:** Then are we to understand from the Honourable Member that if an Act is passed here which affects not only India but also the institutions in England and if there is anything with regard to that, the Honourable Member is not to inquire into that and give us the information?

**Mr. G. S. Bajpai:** I do not really know what there is to inquire about.

**Mr. Lalchand Navalrai:** I do not quite follow the Honourable Member.

**Mr. G. S. Bajpai:** My difficulty, Sir, is greater than his. (Loud Laughter.)

## THE RESERVE BANK OF INDIA BILL.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The House will now resume discussion of the Reserve Bank of India Bill. 12 NOON.

**Mr. B. Das** (Orissa Division: Non-Muhammadan): Sir, on behalf of the minority signatories I was yesterday laying stress on the major points that the minority wanted this House to accept. I gave in detail the reasons why a Shareholders' Bank would not be acceptable to the nation and why a State Bank was the only acceptable proposition to the country. Thereafter I was dealing with the reserves that the Reserve Bank should command and there I mentioned that the Government of India should not sell away their silver reserves, the rupee coins, but should rather conserve them for the nation.

In this connection I wish to draw the attention of the House to clause 37 of the Bill where the Bank has been authorised to part with the reserves, whether gold or sterling securities. I could be a party to the temporary transfer or sale of sterling securities that are lying in the reserve of the Government of India with the Reserve Bank. But I can never be a party to the proposition that the Reserve Bank, through the concurrence of the Finance Member and the Governor General in Council, should part with the minimum gold which this Bill fixes at Rs. 40 crores. The Honourable the Finance Member is very strong on that point. At times he uses strong expressions. I have quoted it in the minutes of dissent and I will just refer to it again. My Honourable friend may say that these were not his exact words—but he meant to say that he would rather see the gold reserves of India at the bottom of the sea if the Reserve Bank could not handle or part with them in the cause of national credit. I will come to it later when I deal with clauses 40 and 41; but our suspicion is that Government, constituted as they are today, faced as they are with their exchange position, if they are to continue pegging up the rupee to maintain it at 18d., the Reserve Bank, which will be the hand-maiden of the Governor General and the Financial Adviser—not the Finance Member—would have to part with this gold; and, therefore, we insist that this Rs. 40 crores of gold should never be parted with. Of course I must concede in this matter one point to the Honourable the Finance Member: he says, of course, that nobody would want that gold to be parted with, but he would insist here that provision should be made enabling this to be done.

Then the third vital point that is agitating the whole of India throughout the length and breadth of the country is the ratio question. The Honourable the Finance Member, while he was making his speech, was very firm on that point. I rather saw a note of irony in his voice when he said "Dabble not with this ratio question: press me not over this: the country wants a Reserve Bank: you are having it. Dabble not with exchange problems". As I have mentioned in the minute of dissent, which I and Mr. Vidya Sagar Pandya have signed, the London Committee and our Indian friends on that Committee threw no light as to how at present immediately we could fix the rate of exchange. In a passage which my Honourable friend, the Finance Member, omitted yesterday in quoting from para. 19 of the London report, where he was saying that the ratio

[Mr. B. Das.]

should be fixed when the Bill was introduced on the floor of this House. it is stated;

"A considerable majority of the Indian Delegates feel it their duty to record their view that a suitable exchange ratio is one of the essential factors for the successful working of the Reserve Bank. They point out that considerable changes have occurred in the currency bases and policies of almost all the countries of the world in the last few years. In their view it is for the Government of India and the Legislature to examine these and all other relevant considerations with a view to ensuring that the minimum possible strain is placed on the currency system of India."

Sir: I would have thought that those Indian gentlemen who served as ornaments and adorned the Reserve Bank Committee in Whitehall had access to more materials than we in the Indian Legislature here. We wanted to go into it, but the House noted the firmness of tone of the Honourable the Finance Member and, in the Committee, no materials were available to us for fixing the ratio at 10d., 12d., 14d., or 16d. Therefore, we took the only course left to us. We left it to the Central Board of the Reserve Bank. The Central Board sooner or later will be an elected body: they will be nationals of India: at least three-fourths of them, as the Honourable the Finance Member assures us, will be nationals of India: they would be as good patriots as we are here or outside; so it will be their bounden duty in controlling the currency and credit of India to look into the problem; and if, in their survey of the whole monetary field, they find that they must recommend to the Governor General that the ratio must be revised immediately, because the international monetary position has become stable, then we have provided in old clause 49(a)(2)—new clause 54—that such a Central Board should take steps to recommend to the Governor General.

I wish to make here one personal explanation. It has been given out in the press that I did not vote for the 16d. ratio when it came to the vote. If I did not vote, let the country read my speech and the few statements that I have made just now. There were no materials placed before us. If men like Sir Purshotamdas Thakurdas, Mr. A. Raigaswami Iyengar, Sir Phiroze Sethna, Sir Cowasji Jehangir and Diwan Bahadur Ramaswami Mudaliar, who had the opportunity of hearing the experts of the India Office, including my Honourable friend, Sir George Schuster, in the camera committee of the India Office; if they could not decide on the spot, I, without any material available to me, could not decide in this Committee on a snatch vote whether the ratio should be fixed at 16d. I remained neutral. I have heard remarks from very personal friends in business circles who have come and told me that I had changed my mind and that I supported 18d. . . .

**Sir Cowasji Jehangir** (Bombay City: Non-Muhammadan Urban): You are a capitalist now, a business man, are you?

**Mr. B. Das:** . . . and that I supported the 18d. ratio: certainly not. I moved the amendment on the first day of our meeting. In the Committee I stated that I stood by the Resolution of the Federation of the Indian Chambers . . .

**Mr. S. C. Mitra** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): You are a member of the Executive Committee.

**Mr. B. Das:** Yes, my friend reminds me of that.

The Federation of the Indian Chambers met at Calcutta on the 11th and 12th September, and this is what they said:

"In any event the exchange obligations of the Reserve Bank should not be fixed at the ratio of 1s. 6d. for a rupee, but that the rupee should be immediately delinked from sterling and be stabilised after wholesale prices in India have attained approximately the level of the year 1925-26, which means an increase over the present price level by about fifty per cent."

Sir, I moved an amendment that the rupee should be delinked and that six months' time be taken before the Reserve Bank Act is promulgated in order to include the ratio in this Bill. Sir, if I have gone a little into details, it is with a view to explaining my point, because I do not want to be misunderstood either on the floor of this House or outside in the country that I did not support the 16d. ratio. No materials were placed before me to enable me to give my verdict. Sir, it is high time that my Honourable friend, the Finance Member, without taking shelter under the apron strings of the *Hindu* of Madras, should come out and admit that the position has changed, that the country demands that the ratio problem should be revised,—I do not say revise it under the garb of the Reserve Bank Bill, but it should be revised. My Honourable friend, the Finance Member, while I quoted in the September session, the *Statesman* and the *Capital*, quoted the *Hindu*. When I read some of the editorials of the *Hindu* of Madras, I sometimes cannot understand whether they are written by my old friend, Mr. A. Rangaswami Iyengar, or by my Honourable friend, Sir George Schuster, because the language is so common. But, Sir, I do feel that my friend's adviser sitting behind him, Mr. Aravamudha Ayyangar, is still supplying him with editorials from the *Hindu*. I still hope that my Honourable friend has read that editorial which Mr. Rangaswami Iyengar,—dis-illusioned after his return from London after a certain statement that appeared in the press that the Secretary of State said in the House, in giving evidence before the Joint Parliamentary Committee, that the Parliament would ultimately exercise its control through the Secretary of State and the British Chancellor of the Exchequer to give permission to this Legislature, and then alone this Legislature can examine the position of the ratio and revise,—wrote recently. As the Finance Member took great pains in the last September Session to read one column and a half from the *Hindu* of Madras, I will just read one sentence, and I do hope that next time he meets Mr. Rangaswami Iyengar, they will still remain friends. It is in the Currency League literature, but it was published in the *Hindu* of the 16th of October, 1933. When Mr. Rangaswami Iyengar woke up from his sleep, and after reading certain statements from his London correspondent, this is what Mr. Rangaswami Iyengar said:

"It would be a most ridiculous financial condition that when such a contingency arises the Indian Government and the Indian Legislature should be disabled from going promptly to the Central Reserve Bank's rescue for the maintenance of the integrity of its note issue and stability of India's credit and finance without obtaining the approval of the two Houses of the British Parliament, thousands of miles away."

Sir, my friend, the Finance Member, may still say that nothing has altered since what has been provided in the proposals of the White Paper; but the Secretary of State, if he is an elected Member of the House of Commons, must carry out the behests of the Houses of Parliament. It

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is no use telling us that the provisions of the White Paper are not subjected to the control of Whitehall. Well, Sir, I leave that political issue there.

Now, I come to the issue proper. Sir, it was stated the other day that when the other day the Honourable the Finance Member's predecessor, Sir Basil Blackett, flew over India, he did not like to stop here and have even a lunch with the Finance Member,—and he is reported to have written in his book "Planned Money" that there is no need of fixing the rate of exchange. Sir, I would like to quote here a passage from the *Times of India's* "'Our Own Correspondent in London',—and the House knows who that correspondent can be,—he is Sir Stanley Reed,—and I do hope that my friend, the Finance Member, will not say that Sir Stanley Reed has joined the Currency League or the Indian National Congress. The article was written from London, dated October the 7th. . . .

**An Honourable Member:** It is not Sir Stanley Reed, but it is Mr. F. H. Brown.

**Mr. B. Das:** The language is that of Sir Stanley Reed.

Talking about the recovery of Australia, he says:

"In this connection, the recovery of Australia is almost a dream. Only two years ago, I voyaged with a well-known business man returning from an examination of his commitments in Australia. He was in the most pessimistic mood, convinced that Langism had come to stay and that his investments were in grave danger. Few people have ever made more drastic sacrifices than the Australians to re-establish their credit. They are rewarded, by a surplus which permits of a reduction in taxation of no less than seven millions, and a partial restoration of severe cuts in pay and allowances which will further mitigate the situation. Here is an object lesson in sound finance; but, I do hope, authorities in Delhi will mark an essential feature; the restoration of cuts was simultaneous with the reduction of taxation. It did not precede it. The recovery of Australia is likely to be quickened by the revival of commodity prices, which is specially affecting the great wool interest."

I hope the Finance Member will take note of that. Sir, I need not quote further. If you want to raise the commodity prices, if you want to raise the price level, if you want to get more taxation and have a surplus Budget and not a deficit Budget, if you want to have sufficient funds in your hands, then allow the rupee to be delinked, and then the Finance Member's next Budget will show a surplus of not £ seven millions, but of £17 millions; price levels will rise, internal commodity prices will rise, and the Finance Member will then be able to say—at present he is overshadowed by the dark shadow—"how could I remit my 40 crores of rupees which is my Home Charge, I am only for five months more in this country, let me keep pace, let me go smoothly, let my successor, whether he is taken from the Indian Civil Service or the British Civil Service, it does not matter. Let him stew in his own juice; the members of the Currency League will go for him. I will leave the whole thing to him, and if he has to change the ratio, he will come under the heavy wrath of Sir Henry Strakosch or Sir Samuel Hoare, not to speak of Mr. Montagu Norman and Mr. Neville Chamberlain. Why should I take all this trouble? Let me follow the line of least resistance. Even in spite of all my mistakes, in the matter of ratio policy, I have given India a Reserve Bank Act for which they will cherish my name for a long time". Incidentally, my Honourable friend nowadays has become so strong a nationalist that he does not read the Anglo-Indian papers, he does not read the *Statesman* or the

*Times of India*, he reads only the *Hindu*. The *Statesman*, only the other day, that is, on the 22nd October, gave a bit of advice to the Chancellor of the Exchequer of India. The *Statesman* gave him the advice, why does he not buy up the gold and keep it by? The *Statesman* does not follow the same economic theories as the Chancellor of the Exchequer follows. Let me quote a line or two, under the heading "Gold Rush".

"Cannot the Government of India profit by the occasion which is still with it Gold may have another phase in the nearer future at which it will reach heights as yet untouched. Government, by taxing the export, can create a partial embargo and could itself buy freely at favourable rates. Gold is still a backing for currency, and by its use Government has the power to put much more sound money into circulation in this country and thereby to give a much-needed impetus to internal trade."

Pandit Jawahar Lal Nehru did not write this; it is the editor of the *Statesman*. Sir, on that memorable day, when you moved that Resolution from the floor of this House at Simla in September, 1931, you tendered that advice; we all tendered that advice. But the Finance Member says: "Where will I find the 25 per cent. money if gold comes back to parity?" But the Finance Member must have read the praise which he indirectly got in the columns of the *Morning Post*, when it said that India, by the export of 110 crores worth of gold, saved the credit of England. If the Bank of England today goes on purchasing gold, it is not possible for the Government of India to purchase gold and it will not be possible for the Reserve Bank also, because it will be managed by the financial plutocrats in the pure commercial standard and they would not buy gold, because there would be a liability of losing 25 per cent. or 33 per cent. later on if they buy gold at a high price and gold goes down to the old level. I do hope that the Finance Member will bear in mind the warnings not only from us which he may ignore, but he ought to bear in mind the warnings of his own nationals, nationals who have greater British interests in India than temporary sojourners like the Finance Member who, by the oath of allegiance that he has taken, tries to do good to the Indian people. The *Times of India*, and the *Statesman* advised him as to the correct course and here he is not willing to take it. I do urge on the Finance Member to give us an assurance when he replies, that he will do his utmost to put it before the authorities in England that the time has come for a revision of the ratio. If he gives that assurance, he will have a very smooth sailing in the passage of this Bill. Above all, we are very willing to work in a spirit of conciliation and co-operation, but we are not given the chance always to exercise that spirit of conciliation and co-operation with the Honourable Members on the Treasury Benches.

I have spoken on the three major points in which the dissentients differ from the Majority Report. The Finance Member may vote me down on the floor of this House, but he knows that the majority of the country, the millions, are behind the opinions which I have advocated on the floor of this House.

Now, Sir, I will come to a few minor points before I close my speech. Once again I acknowledge my gratitude to the Government Members for coming into agreement with us in excluding the Dominion countries from being shareholders of the Reserve Bank and formulating a clause by which we can discriminate, not only discriminate, but retaliate against countries that are always discriminating against India. But I demur to the way in which the proviso has been drafted. I should

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like that to be put strongly. I would like the Government of India to be bold enough, to be courageous enough to say that South Africa is unfit to be associated with the Government of India, that South Africa should be black-marked. I do not want to see that the Government of India should notify that Australia and New Zealand are the only Dominions who can be treated as equals by the people of India. Why this fear of these Dominions people? Why this fear of South Africa and Canada? I leave the point at that.

I come to the next point. My colleagues in the Joint Committee wanted that there should be two Deputy Governors in the Reserve Bank. Sir, you, who had been a participant in the discussions on the Bill of 1927, know, and the older Members of this House know, that at that time there was no conception of two Deputy Governors. If a majority of my colleagues have agreed on it, they have made a mistake. The Imperial Bank is still there with its two Managing Governors and one Deputy Governor to work as agents of the Reserve Bank. Much of the work of the Reserve Bank will be transferred to the Imperial Bank. But the main suspicion which the Opposition and the country have against this provision is that if there are two Deputy Governors, an Indian, one superannuated in his 66th year, may be taken as the first Indian Deputy Governor. By the time he is 71, his eyes may become too dim to become the Managing Governor of the Reserve Bank. And it may be that that Indian will be allowed to look after correspondence and files in the office while the currency will be handed over, as some of us suspect, to an I. C. S. officer. Therefore, in my minute of dissent, I have made it clear that no I. C. S. officer should be appointed either as a Governor or as a Deputy Governor, and I want the House to accept the position that was proposed in 1927. There was an understanding and lobby talk that there should be one Deputy Governor who should be an Indian, and there was a talk also that there should be one Assistant Deputy Governor who should be an Indian. What is wrong in having an Indian Assistant Deputy Governor? My Honourable friend agreed with us in substance, but he did not like to provide in the Statute that at least one of them should be an Indian. Why should not both be Indians? We have provided that the Managing Governor should have at least five years' tested banking experience. I am quite willing to join hands with the Honourable the Finance Member and to get an European, be he a Canadian or an Australian, provided he is not a South African. I should see that he is kicked out from this country and not allowed to manage the credit policy of India.

**Mr. Amar Nath Dutt** (Burdwan Division: Non-Muhammadan Rural): What about Japanese?

**Mr. B. Das:** I am not talking of the Japanese at present. The Deputy Governor should be an Indian and he should be a comparatively young man. There should not be two Deputy Governors. Why should we not adopt the same course today as was suggested in 1927 when the financial credit of India was high? Why should we not have an Assistant Deputy Governor who should be an Indian too and whereby we will ensure that after five years an Indian will be the Managing Governor of the Reserve Bank.

With the most of what fell from the Honourable the Finance Member about the business clauses, the operating clauses like 17, 30, 38, 37 and other clauses, I agree with him except in regard to what I said about clause 33 and clause 37, that the gold should not be frittered away.

I now come to one point in clause 17 (3) (a), and here I entirely disagree with the Honourable the Finance Member and my colleagues signing the majority report. In the second draft, the name "of persons" from whom Government can buy or sell sterling was included. Suddenly I find that in the third draft it was taken away and it was a big surprise to me. The first draft contained the names "of persons approved by the Central Board". Let me explain to the House what happens. The Government remit large sums of money to England. There also the business operations are run by the mercantile public. The exchange banks have probably won over the heart of the Honourable the Finance Member, because they are coming into the pool of the Reserve Bank as scheduled banks and everybody knows that these exchange banks are mostly British banks. There are big firms like Rallis, Volkarts, etc., and also Indian firms like Kilachands and Birlas who are large exporters of Indian produce. These people want to remit money and they want to bring back money. Some of them are today on the list of the Government of India. There are four or five such firms on the approved list. I was not asleep at the time and I find that this suddenly vanished from the third draft. The exchange banks charge their discount rates at 1/32nd. If they combine, they have not the wholesome pressure of these business firms and they will bring a loss of nearly 60 lakhs of rupees.

**Diwan Bahadur A. Ramaswami Mudaliar** (Madras City: Non-Muhammadan Urban): Is there not a special provision in the case of such a combination?

**Mr. B. Das:** I think you are referring to clause 18. That is only for special occasions. Here the Government have gone to pamper the exchange banks who are foreigners.

**The Honourable Sir George Schuster** (Finance Member): I really must intervene, because, I think, my Honourable friend is definitely misleading the House. My Honourable friend suggested that this change was made suddenly. It was very fully discussed, and the object is to open the door to Indian banks to come into this exchange business. It is not a clause designed to favour the exchange banks in any way at all.

**Mr. B. Das:** That is a very pious idea on the part of my Honourable friend, the Finance Member, and those of my other colleagues who joined with him in that sentiment, that the Indian banks should come in and do exchange business. I cannot dream of it in my lifetime. I want to have a wholesome influence exercised on these banks who handle large resources. As I was pointing out, by raising 1/32, Rs. 60 lakhs will be lost, and what will be the effect then? There will be a loss of Rupees two to three crores in the internal commodity prices. When money is remitted from England at a very high discount rate, the effect will be felt in the financing of the small agriculturist. Nobody pays from his pocket. It is the poor man whom my Honourable friend, the Finance Member, fleeces at every stage, and who pays at every stage. It is the man at the bottom, the agriculturist, who suffers. His produce will not go out and there

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will be loss on the internal commodity prices at least to the extent of Rupees two to three crores. There are amendments on that point. I am glad to find amendments in the names of Mr. Sarma and Mr. George Morgan. I have also given an amendment. I hope the House will not be misled by the statement which the Finance Member just made. The octopus of the Imperial Bank has been on these petty Indian bankers so tight, that they have never been allowed to rise high, and this provision will immediately bring in large sums of money into the pockets of the exchange banks.

Now, there is another point. My friends in the Committee wanted that the Bank should be a Shareholders' Bank and that voting power would come to a person who has 500 shares of Rs. 100 each. Why not one share one vote? The capitalist section of the Committee felt shy. They said that the power of voting will then be abused, because the small man with Rs. 100 share is more liable to corruption than the man who invests Rs. 500. I demurred there and I strongly demur here that such statements should be made, that if I buy a share of Rs. 100 I should be liable to be corrupted, and if my friend, Sir Cowasji Jehangir, buys Rs. 20,000 shares, he cannot be corrupted. Yet we hear that he holds large shares in the Imperial Bank of India and he transfers his proxy, transfers it to certain European friends of his, particularly the Secretary of the Imperial Bank of India, without caring to know which way his votes go. So, Sir, if I fail in my contention and if we cannot have a State Bank, if really the House comes to the decision that it should be a Shareholders' Bank, then let us have a real democratic Bank—"one share, one vote; one shareholder, one vote". What is the use of providing that a rich fellow can purchase Rs. 20,000 worth of shares and who can also have ten votes? Because shareholders are investing in these gilt-edged securities for the reason that it is a national investment, and because everybody is actuated by one noble feeling that the national credit of India should be maintained throughout the world. Does the Honourable the Finance Member maintain that each of these men, with his ten votes, will be better able to maintain the national credit of India? Never. Therefore, I do hope that my democratic friends here, including my Honourable friend, Mr. Mody, who, I am so glad to notice is one of them and who nodded to me meaning that he is a democrat, will subscribe to the principle of one share, one vote, and one shareholder, one vote.

**Dr. Ziauddin Ahmad:** One man, one vote.

**Mr. B. Das:** Yes, that is what I mean.

Sir, the only important point from the Reserve Bank point of view is clause 43 which deals with the agreement with the Imperial Bank. I do appeal to the Honourable the Finance Member that he will circulate to the Members of this House the memoranda which Government placed before the Joint Committee about the agreement with the Imperial Bank and its operations so that Members should know the work and the activities of the Imperial Bank, as that will much clarify the discussion when we come to clause 43. Sir, I mentioned it yesterday that it was at one time thought that the Imperial Bank should be a national Bank. I find that the octopus tentacles of the Imperial Bank are such that it is no use for me to maintain the attitude towards the Imperial Bank that I maintained so long and that I am willing to accept that it is functioning as a national concern. I was assured by Sir Purshotamdas Thakurdas and

-others who represented the Imperial Bank before the Joint Committee that the Bank was trying to do its part as an Indian Bank. Sir, I did examine in detail the Managing Governors of the Imperial Bank and I felt satisfied that they were functioning as an Indian Bank. As the Reserve Bank will only be a bankers' Bank and it must have agencies, I have supported the scheme subject to slight modifications here and there, and I believe that, inspite of all the acts of commission and omission of the Imperial Bank, during the time when the Chancellor of the Indian Exchequer did not exercise proper control from the national viewpoint of India over the Imperial Bank, the latter will in future justify its existence and really serve the interests of the millions in the country and not cater mainly to the few directors whether they come from Bombay or Calcutta or Madras.

Sir, to conclude, I appeal to my friends to read over and over again the small luscious fruits that we have provided in our minutes of dissent and to see for themselves whether they do not voice the national feeling of India. If we have done that, let them not be misled by the soft persuasive tone of the Honourable the Finance Member. Let them not be carried away by the size of the stone which the Honourable the Finance Member and his majority colleagues have dangled before them. Let them feel in terms of the national interest of India. Let me assure my friends including those who do not see eye to eye with me that I am not here to obstruct; I am not in the mood in which I was in 1927 when, on one memorable day, I came back after lunch with Mr. Jamnadas Mehta, and when I challenged the division and threw out clause (a). Sir, it is a great loss to India that the Reserve Bank Bill was then thrown away. Had we had that Reserve Bank, my Honourable friend would not have had the latitude that he now has had for the last five years to play ducks and drakes with India's financial credit. I do admit that there is economic depression all over the world, that India would have felt the shock, but we would have recovered. Sir, if I were the Chancellor of the Exchequer, I would not have allowed the flight of gold to the tune of 150 crores (Hear, hear) to maintain the credit of the Bank of England. Sir, I confess I made a mistake, a very serious mistake, a great national blunder in helping to throw out the previous Reserve Bank Bill. Today I am the last man to advise here that there should not be a Reserve Bank. I will not do that, but I will be the last man to accept the big stone which the Honourable the Finance Member has offered me and which, I am afraid, is going to blow up my brains. (Laughter.) Sir, I do hope my colleagues will take note of the national sentiment and feel the nation's pulse and will register their votes on the sides of those who are registering here the voice of the nation. It may be that this Bank will prove a real national Bank and will be able to revive the credit of India provided that the ratio policy is properly settled, and to which I hope the Honourable the Finance Member will make a real financial reply and not a reply given at the dictation of the Chancellor of the Exchequer of England. (Applause.)

**Mr. R. S. Sarma** (Nominated Non-Official): Mr. President, I am not a student of finance like my friend, Mr. Das, nor a Jack of all trades like my friend, Mr. Lalchand Navalrai, who jumps upon his feet on every conceivable subject . . . .

**Mr. B. Das:** Sir, is that a parliamentary expression—"a Jack of all trades"?

**Mr. R. S. Sarma:** . . . . and if I venture to make a few remarks, they are only of a general character and are in the nature of a contribution from

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a layman to this debate. Sir, I have often found that the contribution from a layman on so technical a subject is sometimes as helpful as that of an expert. Before I define what attitude some of us belonging to the Central Party will take on the two motions now before this House—one for consideration, and the other for re-committal to the Joint Select Committee, by Mr. Sitaramaraju—I crave your indulgence to make one or two brief remarks of a personal character. Sir, when this Bill was introduced by the Finance Member in the Simla Session, heaps of abuses were showered upon the devoted heads of the Managing Governors of the Imperial Bank—Sir Osborne Smith and Sir Kenneth Macdonald—and their administration was very severely criticised, and when I in my speech took exception to the unfair attack on Sir Kenneth Macdonald and Sir Osborne Smith without people realising what they have done to this institution, my friend, Mr. Das, who has just concluded his speech, asked me whether I had had any favours from the Imperial Bank which led me to sing their praises; and it was an agreeable surprise to me, Sir, that my friend began his speech yesterday with a fulsome praise almost amounting to flattery of Sir Osborne Smith and Sir Kenneth Macdonald; and, if rumour is correct, he has been the recipient of a handsome letter from Sir Osborne Smith—but I shall not emulate his example and I shall not be ungenerous enough to insinuate anything. I shall admit that he has not had a letter of credit, but only a letter of appreciation. (Laughter.)

Sir, my friend, Mr. Das, yesterday again began his speech by a reference to the thinness of the House so far as the official Benches are concerned. I do not think anybody need worry about the thinness of the official Benches, because everybody knows that, within a minute of the division bell going, the thin Benches will be converted into crowded ones, and all of them will rush as one man to the Division Lobby. But what pains us most is that in a debate, which everyone says is of such a great and momentous character on a measure on the establishment of which even Central Responsibility depends, we in this House, at any rate people like us, who do not know much about finance, should be deprived of the benefit of the mature advice and fiscal wisdom of leaders whose help we are entitled to get on an occasion like this. Sir, how much the debate in this House should have been enlivened and enriched if we had had the benefit of the mature wisdom of the late President of the Fiscal Commission, Sir Ibrahim Rahimtoola, or of the Leader of the Nationalist Party, Diwan Bahadur T. Rangachariar! Sir, it is sad to contemplate that in this unfortunate country, during discussions of so momentous a character, our leaders are either so sick as not to be able to come or so selfish as not to leave room for others to come or that some of our leaders should think that it is more important to be entertaining future Viceroys in London or treading the pleasant paths of dalliance on the southern coast of France, than return to their posts of duty in the House to lead its deliberations on an occasion like this.

**Mr. B. Das:** Is that a reflection on the Leader of the Nationalist Party?

**Mr. R. S. Sarma:** Whatever it is, I have said it. Having said this, let me at once say exactly what our position is. When Sir George Schuster asked Mr. B. Das yesterday whether he was supporting the consideration motion or he was supporting Mr. Sitaramaraju's motion, he counselled patience to him and said that, if he would wait, he would know. Sir, we have waited the whole of yesterday and the whole of this morning without

knowing exactly what he has been talking about. Lest the same impression be created with regard to myself, let me at once say quite frankly that we shall support the consideration motion and not the re-committal motion, not because we are not in sympathy with the object that Mr. Raju wants to achieve. Sir, let me take this opportunity of paying a tribute to the patriotism which actuated Mr. Sitaramaraju in the fine speech that he delivered yesterday and a tribute has been paid even by the *Statesman* this morning to his deep scholarship and the masterly presentation of the subject that he undertook to present before the House. At the same time, I think it was a most impracticable suggestion that he put before this House. Does he seriously think that this House should now finish with the whole discussion and re-commit the Bill to the Select Committee for the consideration of that one subject only? I understand that the Honourable Member himself has an amendment of this very question, and when that amendment comes and when it is moved as an amendment, he will find a large measure of support for so reasonable a measure from every section of the House. Sir, when this matter was referred to the Select Committee in the Simla Session, it was opposed by a large number of people and, speaking on behalf of the Centre Party in supporting the reference of the measure to the Select Committee, I said that our object in sending it to the Select Committee was to see that the measure came out of the Select Committee a better measure than it was, and it is agreed on all hands that it has come out of the Select Committee a better one than it was when it entered the Select Committee. It shall be the endeavour of all of us to see that, when this measure goes out of this House, it will be a much better Bill than what is presented to us by the Select Committee. In that sense we shall give this consideration a support and, whenever any reasonable amendments are moved, everyone of us will support them.

There are one or two important questions which are linked up with this question, more linked up by some of the Members than the rupee is to the sterling. The first is the shareholders portion of it. There are points of view totally different from each other. There are those who are in favour of the Shareholders Bank from the fiscal and financial point of view. There are others who are in favour of the State Bank. All the arguments that we have so far heard on behalf of the State Bank are based more on sentiment than on anything else, and sentiment does play a great part. I am not here to suggest that we should not take sentiment into account, but, as I said in my speech on the last occasion, if we look at the constitution of the Centre Banks all over the world wherever they are we find practically all of them are more or less Shareholders Banks. Wherever there are State Banks, the inclination today is more towards converting them as Shareholders Banks.

**Mr. B. Das:** It is rather the other way about.

**Mr. R. S. Sarma:** I do not think so, but I have not yet studied the subject as fully as Mr. Das has done. But judging from the newspaper reports and the memoranda submitted by experts in France, Denmark and other places, I do find that the tendency is towards Shareholders Banks. I may say that I have got this information not from anybody else, but from a financial weekly newspaper from which Mr. Das often gets his inspiration.

**Mr. B. Das:** My Honourable friend seems to know too much.

**Mr. R. S. Sarma:** I know too much, because my source of information is the original source. (Laughter.) Sir, sentiment does play a great part, and I have often wondered why the Government should not even meet that. But I have often wondered why it should be for these Benches to go and prove why it should not be a Shareholders Bank. The onus of the proof lies with the Government who wish that it should be a Shareholders Bank. The tendency everywhere, as I said just now, is to have a Shareholders Bank, and why should we launch at such a momentous occasion upon a new and novel experiment. If we find that the Shareholders Bank has not functioned properly or, abuses that are apprehended creep in, why should we not provide something in this Bill which will placate public opinion in this matter and, at the same time, meet the viewpoint of Government. We should have a clause just as we have in the case of State Railways by means of which when we find that the Shareholders Bank has ceased to be a confidence-inspiring institution, the State should have the right to buy it. If there is an amendment of that character, I think it will meet both the point of view of Government who are committed to the Shareholders scheme, and the sentimental character of the viewpoint of the Opposition and a common ground can be achieved.

Then there is the question of the ratio. Anybody, who has read the debates of this House or has even listened to the speeches of yesterday, of Mr. Raju, and today of Mr. Das, would have been under the impression that this ratio question has achieved a racial aspect, as if the 18 pence ratio is all good for the British people and the Europeans, and the 16 pence ratio is all good for the Indians.

**Mr. B. Das:** Mr. Ramsay Scott is for 16 pence.

**Mr. R. S. Sarma:** I am coming to that. Mr. Ramsay Scott is not for 16 pence by himself. I think it is a mandate from the Upper India Chamber of Commerce that he should take this attitude. At the same time, Acharya Sir P. C. Ray, who is a leader of the Bengalees, has been a firm supporter of the 18 pence ratio. Mr. Binoy Kumar Sarkar and lots of others, who will be acknowledged by the Bengal representatives in this House to be the authorities on this subject, have been asking for 18 pence.

**Mr. B. R. Puri (West Punjab: Non-Muhammadan):** Why not add your name also?

**Mr. R. S. Sarma:** I am a humble man.

**Mr. Amar Nath Dutt:** He is a great chemist.

**Mr. R. S. Sarma:** I am glad to have the assurance that he is only a chemist and that his opinion upon economics and upon financial matters will not be quoted in future in this House as an expert opinion, but there are Indians who are very much in favour of 18 pence and there are Europeans who are in favour of 16 pence, and he will be a bold man who will suggest that at this juncture we should fix the ratio either at 16 pence or 9 pence or 24 pence in this Bill.

**Mr. K. C. Neogy** (Dacca Division: Non-Muhammadan Rural): That bold man is sitting there.

**Mr. R. S. Sarma:** Therefore, I am saying that both the points of view are wrong either to fix it at 16 pence or 18 pence. I would be inclined to support the suggestion that was made in the Select Committee, namely, that the ratio should not be fixed before the Act comes into operation.

Then there are some small things in the Bill, namely, the Directorate, the Indian personnel, some provision for the purpose of making it impossible for non-Indians to get the majority. I find that most of these things have been met in the Select Committee. If still legislative sanction is to be obtained and clauses are to be inserted in the actual Bill instead of pious assurance on these matters on the floor of this House, we shall certainly support them with all our strength. Therefore, our position is very clear, namely, not to commit the grave mistake which some patriotic leaders did when the Blackett scheme came before us which everybody now admits was a better scheme than this and which even provided for a State Bank and whose praises even Mr. Das was singing just now. We should not commit the same mistake, but should put our heads together and evolve a scheme which will go out of this House as a better measure and a measure which will satisfy not only the requirements of the official Benches, but also satisfy the demands, sentimental and otherwise, of non-official Benches.

In favour of such amendments, in favour of a constructive scheme of establishing this Reserve Bank as soon as possible in a manner that will satisfy all the interests, in favour of such constructive efforts will be directed all the energy and all the voting strength of the best organised and most disciplined single Party in this House to which I have the honour to belong.

**Rai Bahadur Kunwar Raghbir Singh** (Agra Division: Non-Muhammadan Rural): At the outset I must congratulate the Honourable the Finance Member for the care and thought he has bestowed on the subject soon after his return from Home. I must also thank the Select Committee for making the Bill better in many respects.

The most important question in connection with the establishment of a Reserve Bank is whether it should be a Shareholders Bank or a State Bank. We know that most of the countries have Shareholders Banks, but the experts in this country want a State Bank, because the conditions prevailing in this country are peculiar and the objections of those who want a State Bank can be met by providing the safeguards, because this is the time when safeguards are so much talked of in the framing of the Constitution. There are safeguards given by an expert, Mr. A. D. Shroff. The most important safeguard in this connection is that 75 per cent. of the paid up capital at any time should be held by the nationals of India. There is another opinion of a newspaper in Urdu which gives out that 80 per cent. of the paid up capital should be held by the nationals of India instead of 75 per cent. proposed by Mr. Shroff. The second condition, according to Mr. Shroff, is as to the restriction of voting rights as proposed in section 14 of the Bill. The third is the limitation on distribution of profits by way of dividend on the paid up capital as proposed in clause 44. The fourth is that Government should reserve

[Rai Bahadur Kunwar Raghbir Singh.]

the right to acquire at any time the entire capital of the Bank at a valuation to be determined by the Auditor and Comptroller General. This Urdu paper, I mean *al-Bashir*, gives out another safeguard that the Reserve Bank should not help foreign banks as it is feared that it might do so. It should be the primary concern of the Reserve Bank to help the indigenous banks in India and not foreign banks. In this connection a memorandum by the Karachi Indian Merchants' Association on page 2 says:

"It is not only necessary, but expedient, that the scheme of distributing shares should be such as would debar non-nationals from holding shares exceeding 1/5th of the paid up capital of the Bank at any time, and it should be further provided that the control of the general policy of the Bank should be in the hands of the Indian nationals."

So, if these safeguards are provided, then there can be no quarrel left as regards a State Bank or a Shareholders Bank. I, therefore, wish to propose the following improvements in the Bill so that it may be acceptable to Indian nationals. First of all, the point which was stressed by my Honourable friend, Mr. Raju, is exceedingly important that some machinery should be devised in the Bill to provide for rural credit on the model of Australia. The second improvement suggested is that at least two men should be Indians among the Governor and Deputy Governors proposed. In this connection a member of the Select Committee from my province, the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra, has made very good suggestions. There ought to be a limit of 25 thousand maximum holding of shares by a single shareholder. The second point of his is that, instead of five centres, there ought to be seven centres as places where Currency Offices are located at present, namely, Bombay, Calcutta, Madras, Rangoon, Lahore, Cawnpore and Karachi. The list of centres given in the Bill gives five and my province, the United Provinces, has been left out altogether. Cawnpore has a Currency Office now and there is no reason why Cawnpore should not be one of the centres as it is one of the big business places in the province.

I am glad that the Government lay emphasis on the fact that there should be no political influence in the discharge of the function of the Reserve Bank. Everybody agrees to this proposition. But a fear has been expressed that though there may not be any political influence in India, yet influence from Home may be exercised. This fear should also be removed. Mr. Shroff has also said that it is very necessary to define "political influence". He says that "finance, as one of the transferred subjects, will obviously be in charge of the responsible Minister. Will the Governor General in Council then mean the Governor General acting on the advice of the Federal Government or is it intended that in making these appointments the Governor General will act on his own discretion in the exercise of his special responsibility of safeguarding the credit and financial stability of India?" These considerations should be borne in mind.

Then, another question arises on page 32. A sum of forty crores will be given to the Reserve Bank and the balance will be 9½ crores of gold in the reserves, and what will happen to this? That is an important question to which the Honourable the Finance Member will, I hope, reply. There is no doubt that the Reserve Bank is very necessary, because they have made it a condition precedent to the establishment of Federation in

India, and it is necessary that it should be established. But it should be such that it may be acceptable to the experts and to the men of business in India. I have gone through the Bill carefully, and I find that sub-clause (18) of clause 17 says about "the purchase and sale of gold coin and bullion". I do not think the power to sell bullion should be given without any restriction to the new Bank.

Then there is a proviso to clause 40 which should go:

"Provided that no person shall be entitled to demand to buy an amount of sterling less than ten thousand pounds."

Then the third change needed is an increase in the areas as fixed in Schedule 5. I have already said about this and I wish to press it further by pointing out that India is a very vast country and its interests will not be served by the few centres proposed in the Bill.

Then, Sir, the nominations by the Governor General should be as in the Bombay Shareholders' memorandum. On page 5 they say:

"The London Committee observe: 'In view, however, of the fact that in the particular circumstances of India election may fail to secure the representation of some important elements in the economic life of the country, such as agricultural interests, we recommend that a minority of the Board should be nominated by the Governor General in Council under the present Constitution and by the Governor General at his discretion under the new Constitution, it being understood that this power would be exercised to redress any such deficiencies.' It will thus be seen that nomination of certain Directors by the Governor General in Council has been recommended by the London Committee only in the event of it becoming necessary to redress any deficiency in election."

This means, of course, that those interests like agriculture and co-operative concerns which are not directly represented will be represented by the nomination to be made by the Governor General.

Then, there is another change required about the Directors that those who are Directors of more than 20 companies, not being private limited companies, should not be allowed to sit on the directorate of the Reserve Bank. This fact has also been impressed in the Bombay Shareholders' memorandum. The seventh change required is about the penalties provided for the delinquencies of the functionaries, and the eighth change required is that the period of office of the Directors should be uniform. Page 2 of the Karachi memorandum says:

"My Committee fail to realise why the period of office of the shareholders' Directors nominated by the Governor General in Council is fixed at two years in case of Bombay and Calcutta Directors, and four years in case of Delhi, Madras and Rangoon Directors."

So this should be uniform, and I do not see why there should be any difference in this.

Then, lastly, there is the all-important question of the linking of the rupee with sterling which has been harmful to agriculture as well as to industries. Although they say that the question of ratio is not directly connected with this Bill, yet, in view of the harm that has been done to the country, it is very necessary that it should be changed. I hope the House will be able to so improve the Bill that it may be acceptable to the whole country.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock,  
Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

**Mr. Bhuput Sing** (Bihar and Orissa : Landholders) : Sir, I would like to say a few words on this important motion. During the period when the Bill was being discussed in the Committee, it was made clear to us that the Governor General in Council in the Bill meant Governor General at his discretion, if and when, there will be responsible government established in this country. This interpretation was too wide and too absolute to be swallowed by some of us, who took the opportunity of representing to the Government to have a clear definition of the term "Governor General in Council", which, according to our conception, should be made to convey the meaning of Governor General in consultation with the Member in charge of Finance. Our main object was that by this definition, even if there be a responsible government established in India in the near future, the Member in charge of Finance, if he happens to be an Indian, will have some voice in the control, management and business of the Bank in the best interests of India. Sir, it is rather surprising that the Government have neither replied to the representation nor given any explanation in this House on the question. It clearly shows, that, what the Government intend to do is to retain the fullest measure of control over the Bank by the Secretary of State through the Governor General, who is at present, and will in future, be nothing but a tool in the hands of the British Cabinet which will run the Bank to the advantage of the City of London. The very basic principle of doing away with political influence over the Bank through politicians is being retained in so far as British politicians are concerned, whereas the same privilege is being denied to India and to this House. We being the representatives of the people of India must have the fullest right of criticising the administration of the Bank as we have the right to criticise the administration of the country including certain reserved subjects like the Army under the present Constitution. So long as the Governor General is given autocratic and absolute power at his discretion, I cannot see eye to eye with Government on this Bill. I would even at this stage request the Government to accede to our request to remove one of the greatest objections to the Bill.

Sir, the main argument against a State Bank is to establish a Bank free from all political influence. But what has been done here is to free the Bank from all political influences in India, without curbing the British political influence over it. The final control over every matter has been vested in the Governor General in Council; and if the Governor General in Council should mean the Governor General at his discretion, there would be no safeguard from the influence of the City of London. Further, the whole trouble and all the criticisms against the Bill may be removed if we make it a State Bank. The Indian State coffers come from all sections of Indian and European subjects and, as such, the capital of the Bank, if subscribed wholly by Government, may very well be said to have come from the pockets of the Indian subjects of His Majesty irrespective of caste or creed. The creation of a State Bank is not a new principle that we are pressing for. It is as much an accepted principle in the history of the world's Central Banks, as the other principle of Shareholders' Banks. I do not like to go into the list of countries which have State Banks, but it is enough if I say, that even within the British Empire, there is a dominion

where there is a State Bank. Not only that; even in England today, there is a strong feeling amongst a section of the British public and there is a move and a very strong move indeed to make the Bank of England a State Bank. So far as other foreign countries are concerned, it will suffice, if I say that almost all the succession States which are the creation of the Treaty of Versailles have assimilated the principle of State Banks and not Shareholders' Banks, and they have withstood even the present financial crisis which is upsetting the money markets of some of the most powerful European nations. Even the present Indian Constitution is such that a State Bank seems to be the fittest. The irresponsible bureaucracy dare not try to run with impunity the Bank to the fullest advantage of themselves and the British capitalists, as that will evoke criticism not only in India but in the international world, whereas, on the contrary, the Legislatures, under the present Constitution, have not the power to bring party influences to bear upon the administration of the Bank.

Last but not the least important consideration that the House will have to take cognisance of is that this very principle of State Bank was accepted on the floor of this House by the predecessor of Sir George. That being so, I do not understand, why the Government should be so much opposed to the establishment of a State Bank. Sir, distrust begets distrust; if the Government distrust the people of this country, it is no wonder when the people of India in their turn see everything with distrust that is suggested by the present administration run by the steel frame of notoriety. Whether the Bank is a Shareholders' Bank or a State Bank, the Government of the country would be forced to intervene at some stage or other. If at any time the Central Bank cannot meet its obligations, the Government cannot stand aloof on the plea that the Bank is a Shareholders' Bank: no Government can allow the Central Bank to default. In this connection Mr. Kisch, a financial expert, states as follows :

"The repercussions on the Government's own credit would be too great. The event may be improbable; but the possibility, however remote, is sufficient to demonstrate that the Government has a vital concern in the efficiency of the Central Bank and cannot be indifferent to its policy."

That being the case, even if the Bank be a Shareholders' Bank, as proposed in the Bill, the Government will have to watch its policy very minutely, and step in to intervene as soon as the Government find its policy to be detrimental to the credit of the country. In this connection, it will not be out of place to mention what another financial expert, Mr. Keynes, stated in giving evidence before the Royal Commission. On being asked by the Chairman of the Commission whether it was a fact that in many important countries the Central Bank was more or less independent of the Government, Mr. Keynes stated as follows:

"It all depends whether you mean formally or informally."

Then, later on, he stated again :

"You could not have a more extreme case than the Bank of England, which formally is a private company; but that does not represent the real facts."

Further on, in the course of his reply, he added :

"The Bank Directors have the power of resigning and making a great scandal about it in the last resort, but, in practice, short of a great public scandal I should say that it is the Government of the day, which has the last word."

[Mr. Bhuput Sing.]

In coming to the question of the limitation in the number of shares to be held by an individual, I am not convinced by the argument of free marketing of shares. The Reserve Bank shares cannot be compared with the shares of ordinary limited companies. Had it been an ordinary limited company, there was no need of a special legislation. The shares and the Shareholder's Bank stand altogether on a different footing and must be treated with a special consideration. To my mind, there is a very great objection against the holding of unlimited shares of the Bank by individuals. The basic principle in making the shares available to the largest number of men at the time of the first allotment is, that the shareholders and the electors will be multifarious so that the Central Bank will represent all shades of opinion in the country. But, if, after the allotment, no limitation in the holding of shares is enforced, a coterie of capitalists may purchase an unlimited number of shares in the name of a free marketing, and ultimately the country may find to its bitter cost that the Bank is being run to the advantage of that coterie and not to the advantage of the people of India. After all, as I have already said, it is not like other private Shareholders' Banks. It will deal with State money, and, if a group of capitalists control the largest number of shares, they will utilise the State money only to their advantage. I agree that such prospects might be remote, but I ask with all seriousness whether in such an important legislation the door for such a prospect should be kept open. It is an every day occurrence in the share market, that with a little rise of price in the share value, a large number of shares come to the market. It is no wonder that such a thing will not happen in the present case. The Honourable the Finance Member hopes that people will cling to their shares. But I believe that it is a pious hope, which will never come into fruition.

Sir, as regards the opening of a branch of the Reserve Bank in London I cannot see eye to eye with the Government who outvoted the minority by a majority of votes in the Committee. London being one of the best international money markets, I think Indians in charge of the London branch will have the best opportunity of coming into contact with and knowing about international money markets. The Central Banks are the banks, where the nationals of a country get the best training of being financial experts. Unfortunately, at the present moment, we have got very few financial experts who could be compared with those available in other dominions and independent countries. The only reason for this state of miserable affairs in this line is that Indians have not been given an opportunity of coming into direct contact with the Central Banks of other nations, and, in my opinion it is the only opportunity of training Indians in the London branch of the Reserve Bank as future experts in international finance. Considering these aspects, the question of economy must not be made a fetish for carrying out our London business through the agencies of the Bank of England. Further, Sir, the amount of profit that will accrue to the Bank of England, by handling the business of the Indian Reserve Bank in London, will be huge in comparison with the profit that may accrue to the Reserve Bank in India as their agent.

Now, Sir, as to the ratio question, much has already been said by speakers who have preceded me, and so I do not want to say much about it now. I have expressed my opinion on that point in my minute of dissent, and I am of the opinion that the whole question should be investigated by an expert body before fixing it in this Bill.

As regards the rural credit system, it has been abundantly made clear by my Honourable friend, Mr. Raju, and I agree with his proposals. Considering all these factors, I would suggest to this House to proceed with the Bill with the utmost cautiousness. Keeping these factors in view, this House should try to amend the Bill in such a way as to make provision for a State Bank, failing which we must amend the Bill in such a way as to remove the powers of the Governor General at his absolute discretion either under the present Constitution or the future. Sir, there are certain other points, which I do not like to deal on the present motion but I shall discuss them when the clauses will be taken up.

**Lala Rameshwar Prasad Bagla** (Cities of the United Provinces Non-Muhammadan Urban): Sir, at the very outset, I admit that the Bill marks an improvement on existing conditions as, at present, the currency and exchange policy is managed by the Finance Department, while the control of credit is almost entirely vested in the Imperial Bank. With a separate and properly constituted authority with definite functions, duties and responsibilities, matters might improve to some extent. But there are certain misapprehensions in the public which, I feel, should be removed by clearly providing in the Statute.

I am unable to understand the Finance Member when he says that he desires and practically assures that not only 75 per cent. of the shares will be in the hands of Indians, but even more, why he cannot have it mentioned in the Bill. Sir, the same thing applies to the control. It is imperative that we should have clear safeguards against non-national interference as France, Germany, Italy, Norway, Denmark, Greece and Hungary, having share capital banks, have by some means or other provided. The Reserve Bank Bill will be the foundation of the financial edifice or, more correctly, the centre of the financial nervous system. Its conduct on the basis of a national economic policy is vital to the economic development of the country. Therefore, our anxiety to safeguard against non-national interference is most reasonable, and legitimate and should not be misconstrued as discrimination.

Sir, I would like to say a few words about our reserves. For some years now the countries have not only been conserving their gold resources, but have been straining every nerve to draw more and more gold to themselves which policy, being stretched beyond limit, has resulted in upsetting international equilibrium. Even after those countries have renounced their responsibility for maintaining convertibility, the scramble for gold has not a whit abated. I do not suggest to follow that policy of unbridled economic nationalism; but certainly I am anxious to save the country from being exposed to the dangers of an ill backed paper currency. I, therefore, suggest in this connection that an embargo should be put on the gold and the price be fixed by the Government at which they should buy gold in the market and thus add to our gold reserves and not be contented with only 40 crores of rupees worth gold. The Government should even now, although it is very late, be awakened lest the stream of gold may dry up.

Sir, now I propose to examine the question of exchange ratio as I do neither understand nor believe that this question does not come within the province of the Reserve Bank Bill. In fact, this is the foundation on which the proposed edifice of the Reserve Bank will stand. If we are not wise enough to strengthen the foundation, the whole structure is sure

[Lala Rameshwar Prasad Bagla.]

to fall down at no distant date. I hope the Honourable the Finance Member, who is in a way our guide in planning the structure, does not desire along with us the mason to be condemned even by a layman for raising the gigantic building knowing the foundation to be absolutely unreliable and worthless. To my mind, the only course, if the Reserve Bank is to be saved from imminent jeopardy, is to devalue the rupee and stabilize it at the lower ratio. My reasons for doing the same are raising the price of commodities which is the crying need of the country. Most of the countries are doing it and India, an agricultural country, needs it much more than any other. With the present exchange ratio, India can get the benefit of depreciation at the most to the extent England does, but the rise in prices is needed much more here than in England. Actually our prices are lower. According to Mr. Scott's calculations, the sterling has depreciated by 38½ per cent. while here by only 210 per cent. From 1931 to 1933, the wholesale prices in England have increased by about three points, while in India they have recorded a fall by about 3 points in the same period. Sir, the exchange ratio so far could be maintained owing to the export of gold, but now when it has almost all drained, the fictitious ratio cannot be maintained by the Art Masters unless, of course, they decide to suck all the little blood of the public which has been left now. Our balance of trade has fallen considerably and a rise in prices would raise the buying power. Now, when most of the countries are off the gold standard and most currencies are depreciating, is the time for reconsidering the ratio question and putting it at 1s. 4d. instead of 1s. 6d.

Mr. President, coming from Cawnpore and belonging to the business community, I will be failing in my duty if I do not point out a flaw. I am at a loss to understand what procedure has been followed in fixing the centres for keeping the registers. If it was the commercial position of the cities, I cannot understand why Cawnpore should have been omitted. May I inform the Honourable the Finance Member that Cawnpore even now is proud of having a Currency Office, and, if a register is kept there, it will mean practically no extra expenditure or inconvenience. It was Cawnpore in North India at least which had its first claim. I, therefore, appeal to my Honourable friend, Sir George Schuster, that if he wants to see his desire fructified to which he gave expression in the last sentence of his speech, "a body which would remain in touch with the main business centres and command the confidence of the business community of India", he will agree to adjust it and fix Cawnpore, the Manchester of Northern India, also as one of the centres.

With these few words, I support the Honourable the Finance Member's motion for consideration of the Bill before the House.

**Mr. S. C. Mitra:** Sir, in our minute of dissent we have made our points clear. We have said that the whole country is for a State Bank, and, on the last occasion, in 1928, the then Select Committee, after much consideration, accepted such a scheme. So, it now lies heavily on the Government to prove that the scheme of a Shareholders' Bank should be preferred to that of a State Bank. I for one cannot understand why the bureaucracy in India, representing an alien Government, should be anxious for a Shareholders' Bank in preference to a State Bank.

Going through the old papers, I find that the only reason that they could put forward against a State Bank was the difficulty of securing a proper Board of Directors. No other solid ground, so far as I can see, has been put forward against the scheme of a State Bank. It is admitted that the Bank will be discharging public functions and that the principal object of this Bank will be to control the currency and credit system of India. If that be so, will the Bank function merely on behalf of shareholders, or it will discharge public functions? The purchasing power of the rupee will be more or less determined by the future policy of this Reserve Bank. I do not think that anybody can claim that the future Reserve Bank should be for any individual or shareholders' interest. When this Bank will be discharging merely public functions dealing with the interests of the rich and the poor alike, why should it not be a State Bank unless it is proved that it is not possible to get a proper Board of Directors?

You will remember, Sir, that in the 1928 scheme there was a suggestion for a Board of Directors who were expected to be free from the day-to-day political influence of the country. As we have said in our Report, in the judiciary of this country we find that it is possible to secure personnel for the highest posts who are not interfered with by the executive, who hold their own and who continue their service during good behaviour, and no body here in this House or outside in India has ever said that they are influenced by political motives. If that is possible for the judiciary, a very important function of the State, why should it be impossible in the case of the Reserve Bank? Again, so far as State Railways in India are concerned, there was a committee which claim to have succeeded in providing for a scheme in which the members of the Board of Directors are expected not to be influenced by political considerations, but who would be able and efficient Directors. So, when in the scheme of 1928 it was suggested that the Board should consist of members representing the Associated Chambers of Commerce and the Federation of Indian Chambers, that there should be three representatives from the non-official Members of this Honourable Legislature, three to be elected by the non-official Members of Local Legislatures, and one to represent the co-operative banks in India, that was a scheme which had the wholehearted support of the people of this country. So it cannot be said that it is impossible to work out a scheme for a Board of Directors of the Reserve Bank who will be beyond the pale of day-to-day political influence.

It has been well argued by my friends on this side of the House that with the Bill as it is, the political influence of the Secretary of State will be very great, and that the Secretary of State, being one of the Members of the British Cabinet, his responsibility will be to his constituency and his Government, and, as my Honourable friend, Mr. Bhuput Sing, has just now said, the influence of the City of London will directly be on him in any consideration of the interests of India. Under these circumstances, we feel that there is no way by which this Bank could be kept absolutely out of the influence of politicians. Further, why should there be all this anxiety? Even under the present scheme, the Directors will be elected by the shareholders, and so are they expected to be non-political persons? We certainly expect that big financiers or persons, having experience in the industrial or commercial field, will be elected. Take a man, for instance, like Sir Purshotamdas Thakurdas, or my Leader, Sir Cowasji Jehangir. Can we expect that when they leave Bombay, they will leave their polities in Bombay and be merely commercial or industrial men? Man is a political animal, and as such he will

[Mr. S. C. Mitra.]

ever be influenced by political motives. And what are politics after all? If we try to understand it, it means that a man is to be dictated not by his own individual interest, but by the interest of the community and the people at large. Why should people in the Bank be bereft of all political considerations? Certainly it is agreed by all people that

**3 p. m.** politicians should not interfere with the day-to-day working of the Bank, but that is no reason why our Statute should debar all political influence from this Directorate while making it fully liable to be dictated to by the Secretary of State from England. All attempts to make the Viceroy a constitutional Governor General have failed. I know His Excellency is very much anxious to be one. Can Government even now give us the assurance that the Governor General in Council should not in any way be influenced by the Secretary of State? Will he not be responsible to the Secretary of State and his constituency in England? Will it be admitted in the future Constitution that the Governor General, as in the dominions, should be free from all influences from England? If that is conceded, there is some meaning in it, but by all kinds of safeguards and through the Instrument of Instructions the Viceroy remains merely the agent of the Secretary of State and, as I have said, the Secretary of State must be responsible to his own people. Under these circumstances, it is preposterous for the Government to expect that this Bank will be working free from all political influences. That is one of the reasons why we in India are for a State Bank.

Certainly it is anomalous that, as Mr. Sarma once said, we the people of India should ask for a State Bank when that also will be dictated by the Secretary of State. When we want a State Bank, we feel that the politicians in India and the Legislatures will also have a voice to counteract the influence that may be exercised by the British commercial people. That is the reason why, though unnatural it may seem, we on the popular side also wish to have a State Bank.

I have sought to modify the scheme of Shareholders' Bank, if this scheme is accepted, by an amendment, so that there may not be any influence from the British commercial people, defining the Governor General in Council to mean as advised by his responsible Finance Minister. It is well known that though orders are issued in the name of the Governor General in Council, it is always the Honourable Member in charge of the particular Department who issues the orders. If Government's intention is *bona fide*, I think they will see their way to accept that suggestion.

**An Honourable Member:** There would be a Financial Adviser according to the White Paper scheme.

**Mr. S. C. Mitra:** We cannot anticipate. We must only legislate for the present. What I mean is that in future Finance will be a transferred subject and there will be a Minister in charge of Finance. There may be financial experts who will advise the Governor General as well as the Finance Member of the future. I mean the Finance Minister and not the Financial expert.

The other point on which popular feeling is very strong is about the shares being more than 75 per cent. confined to the natural born Indians. I agree with that principle, but I also agree with what the Honourable the Finance Member said that in the scheme that has been proposed in

the Bill, there will be no difficulty to secure the proportion or even more. So unless there is very much pressure on this side of the House, I think we can give up the point realising that our purpose has been attained even under the present scheme. I am not one of those who will unnecessarily try to antagonise any people when it is not absolutely necessary and I think the same question applies more or less to the Directorate in the Board. There also, if the scheme is proceeded with, on the fourth year we shall have eight elected Directors. There is no apprehension about Indians getting their share of 75 per cent. of Directorate and we know that Government gave us the assurance that during this period of nomination they will see that the Indian proportion does not suffer.

I feel very strongly about the question of the limitation of holding shares. That has been put very forcibly by Mr. Bhuput Sing. We could not carry it in the Select Committee, but we agree that there should be a maximum limit of holding of shares by individuals.

As regards the question of having more branches from the very beginning at Lahore, Karachi and Cawnpore, I am personally inclined to think that these three places should be included. My argument is this. Even at present Government have got their Currency Offices in all these places which involves a very large expenditure on the part of the Government and it will not require very much more additional expenditure, but it will satisfy the sentiment of my friends from the United Provinces, the Punjab and Sind to have a branch of the Reserve Bank from the very beginning.

**An Honourable Member:** What about Orissa ?

**Mr. S. C. Mitra:** I do not anticipate events. We are only legislating for the present.

As regards the question of ratio, it has been made clear that Government do not want us to support the present ratio from this Legislature, but yet we cannot get away from the fact that a feeling exists in the country that the Legislature shall have to give its vote on the ratio which is already prevailing. It was made clear why Government should think that for a year or more—that is, until the time when the Reserve Bank Act will come into force in this country—Government themselves may not have occasion to change this ratio. So it was suggested, and there are amendments to that effect, that instead of putting in any fixed ratio in the Bill itself, we should say that the legal ratio that will be existing at the time of the enforcement of this Act should be accepted. We made it clear from thousands of platforms all over the country that the present ratio is not acceptable to the country. At the same time we also feel that we cannot go to the extreme of suggesting that the rupee should be delinked from sterling. Sir, it is no use denying the fact that we have very large obligations to meet in England in the shape of home charges and if we delink the rupee from sterling or if we allow the rupee to find its own level, it may mean our incurring Rs. 12 crores or 15 crores of additional money in the uncertain expectation that the price level may rise. It is no use criticizing men like Sir Prafulla Chandra Ray that he is not an expert. I know he spent all his life in industrial and other pursuits as well as in scientific research. It is true that Bengal is not unanimous as regards the ratio question as the other provinces, and it is certain that as soon as we delink the rupee, we shall have to pay a few crores more, but the other factor of a rise in the level of prices is not so certain, though

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it is naturally expected. In the case of other countries like Japan, America or England herself, it is expected that there will be a rise in the price levels, but, in the case of India, though the rupee has in relation to sterling undergone devaluation down to a certain percentage, there has not been any appreciable rise in prices. The difficulty is that the purchasing power of people throughout the world has suffered. It is not necessarily the case that if we can sell our things at a lower price, there will necessarily be a greater demand. Of course it is natural that with lower prices there are expectations of a greater demand, but what I say is that it is not a certainty like the external obligations where we shall have to pay a few crores more at once to meet our home charges. So, in this matter, I think the suggestion, made by my leader Sir Cowasji Jehangir, that the *de jure* rate that will be obtaining at the time the Act will come into operation should be adopted. There is no point in Government advising us now that for the next year and a half, before the Reserve Bank Act comes into force, there is not the least likelihood of their reducing the present ratio.

There is one further minor point about the agreement with the Imperial Bank. I see in this House there is no dearth of friends for the Imperial Bank and I wish them all success, but yet we should not forget that even the London Committee suggested that the agreement should be for ten years certain, with an additional period of notice . . . .

**The Honourable Sir George Schuster:** I think my Honourable friend is not quite correct in saying that the London Committee have made any definite suggestions on that point. All that the London Committee said was that they thought that the period of 25 years was too long.

**Mr. S. C. Mitra:** There is nothing definite in the London decision, but they expected it should be a shorter period. Under the present Bill, it has been made 20 years certain. The agreement with the Imperial Bank is to be for 15 years to be followed by a notice at least for five years which means 20 years certain, but in reality it would be much more than that, because just after the fifteenth year, to consider the pros and cons of this agreement, it will take another two or three years. It will mean 22 or 23 years. I think the Imperial Bank also had accepted during their last contract with the Government a period of ten years. The future being so uncertain, it is better that we should accept the shorter period of ten years and a notice for another three, four or five years. That will make the period really almost fifteen years certain, and I think this House should not go further than that.

With these few words, I support the motion for this Bill being taken into consideration, because I understand that my friend Mr. Sitaramaraju will be agreeable not to press his motion for re-committing the Bill to the Joint Select Committee if he gets some understanding that, in the provisions of this Statute itself there will be something definite with regard to the creation of a rural credit department.

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): Sir, circumstances have placed me in a position that I can review the whole situation with an impartial and neutral mind. (Hear, Hear.) I am neither a signatory to the London Committee Report nor to the report of the Joint Committee. So I represent those Members who

examine the reports of these two Committees with an impartial mind. Sir, as far as this House is concerned, the minority report of the Joint Committee is really the report of the majority committee . . .

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) vacated the Chair which was then occupied by Mr. Deputy President (Mr. Abdul Matin Chaudhury).]

. . . And I shall tell you why. But, before I give my reasons, I would just like to remind you of the story given by the Honourable the Finance Member that the minority report really represented the stones of a fruit and that Honourable Members would see what they were like, but he did not complete the whole story. Sir, here the fruits are really the almonds, where the stones really form the essential part of the fruit; and whatever is left is not fit to be swallowed, but will give you a stomach if you begin to chew it. Sir, out of 13 non-official Members of this House, as many as seven wrote minutes of dissent and only six sided with the Government. Therefore, had it been a Committee of this House alone, then the majority report would have been the minority report and the minority report would have been the majority report. When, out of thirteen members, seven . . .

**The Honourable Sir George Schuster:** Does my Honourable friend suggest that I am not a Member of this House?

**Dr. Ziauddin Ahmad:** I clearly said "non-official Members" and my friend did not follow me. Sir, all the amendments that have now been tabled from this side of the House would have been tabled from the side opposite. Sir, though I very much appreciate the great contribution made by some Members of the Council of State and it was more valuable than our contribution, but it cannot be denied that we were let down by the dead weight of their majority. The second disadvantage is that our leaders are not with us. Out of the members representing the three big groups of the Opposition, the Leader of the Opposition was the only one who sided with the Government and did not side with the Opposition. Sir, the third difficulty under which we are labouring is that our distinguished President, who took such a great lead on the last occasion, when we discussed the Reserve Bank and the Gold Standard Bill, is no longer available to the Opposition. With these three disadvantages, as compared with the circumstances that were prevalent in 1927-28, we have now to proceed. I frankly acknowledge that we are the unworthy successors of our worthy predecessors. Our predecessors did not accept the Bill which was far better than the Bill which is now before us, and there was great consolation in this House as can be seen from the speeches delivered on that occasion and there was a great consolation in the country when the Bill was withdrawn. Sir, the country undoubtedly wants a Central Bank, but it does not want a bank of the type which is being forced upon us. Government appointed a Banking Inquiry Committee, and a great portion of the tax-payers money was spent on it. The best brains of the country were engaged for several years. They produced a report and their unanimous finding was that the Reserve Bank should be a State Bank, and not a Shareholders Bank. Sir, the discussion of the Reserve Bank Bill is a disease very similar to chronic dysentery and the method of curing it which the Government have adopted is very much like that of a patient

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whose story I will just narrate. A man was suffering from chronic dysentery and he went to a doctor. The doctor advised him to give up women, wine and singing, and he would be all right. Several years went by and the patient was still suffering from the chronic dysentery. So he again went to the same doctor. The doctor asked him how he was. The patient said that he was following his advice and he gave up singing and yet he was suffering from the chronic dysentery. The doctor asked him whether he had given up the other two things also. He said: "No, but I have carried out an essential part of your instructions". He went to the doctor again after a few years and said: "I have acted further on your instructions by giving up wine. Now, I take beer". The same is the case with our Government as regards the Central Bank. We have been discussing the Reserve Bank for a long time. There have been the recommendations of the Fowler Committee, the Chamberlain Committee, the Hilton-Young Committee, the findings of the Banking Inquiry Committee and, above all, the decision of our own Legislative Assembly, and still we find that the Government have come up with their own proposals and did not care to accept the advice of the doctors.

**The Honourable Sir George Schuster:** Is my Honourable friend suggesting that the Hilton-Young Committee recommended a State Bank?

**Dr. Ziauddin Ahmad:** No, I do not mean to say that. I refer to the finding of our Legislative Assembly and also of the Banking Inquiry Committee, which are the latest. Sir, I would like to draw your attention to the fact that our Assembly unanimously recommended that it should be a State Bank, and the Banking Inquiry Committee also made a similar suggestion; and yet we find that the Government have quietly put in a scheme of a Shareholders Bank. Now, in the course of the rest of my speech I will not call it a Shareholders Bank, but will call it a *nimboo-nichors* Bank. I will give you the story about these *nimboo-nichors*. In the olden days, in Delhi, there used to be a special class of professionals who kept a certain number of lemons in their pockets. They went to rich people and to inns and just squeezed some lemons in their meals and naturally they were invited to share in the meal. In fact, they commenced regulating dishes. Therefore, by giving a small quantity of the juice of lemon they became masters of the whole dinner. The same is the case with this Reserve Bank. The shareholders, by paying five crores to this Bank, are taking possession not only of 300 crores of rupees belonging to tax-payers, but begin to levy taxes on member banks and control the entire monetary policy of our country. Therefore, the position of these shareholders is no better than that of the professionals who used to be called in Delhi as *nimboo-nichors*. Literally, it means "lemon squeezers", but that expression does not convey the idea which I have mentioned.

First of all, I will take up the question of the State Bank *versus* the Shareholders Bank. On the last occasion, when we had a discussion on the floor of the House, very important speeches were delivered by Sir Purshotamdas Thakurdas and Mr. Rangaswami Iyengar. Now, these two gentlemen were the pillars on the side of the Opposition. They led the Opposition and I cannot understand what actually happened that "over one night in London", using the popular phraseology of my leader, Sir Cowasji

Jehangir, they changed their mind. I will just quote a portion from their speeches which they delivered in 1927. Sir Purushotamdas Thakurdas said :

"Sir, I am not at all surprised at the great earnestness and the anxiety of leaders in this House like Pandit Madan Mohan Malaviya and others that this measure shall not pass on any such consideration as this. Sir, the idea of private capital bank for this purpose is an idea which is only to be mentioned in order to reject it. (Hear, hear.) I will not use any stronger word, I am reminded of the word monstrosity, but I do not think it is necessary."

This was the opinion expressed by Sir Purushotamdas Thakurdas about a Shareholders Bank. Coming to the position of Mr. S. Srinivasa Iyengar, he also said on the floor of the House on the 31st August, 1927:

"We think that so far as any bank can function as a bankers' bank, it ought not to be a Shareholders Bank. It ought to be a bank which is subject to the legislative control of this Assembly. It should be a bank wholly Indian, acting wholly in the interests of India, and it should be able to help bankers in the difficult times ahead of us."

These are the opinions expressed by two of our greatest leaders, Sir Purushotamdas Thakurdas and Mr. S. Srinivasa Iyengar. I am surprised that over one night they changed their opinion and signed this report of the London Committee.

**Mr. C. S. Ranga Iyer** (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): I rise to a point of correction. Mr. S. Srinivasa Iyengar did not sign this report nor has he expressed any opinion contrary to the one which he expressed while he was a Member of this House. He was the leader of the Party to which I had the honour to belong, namely, the Swaraj Party, and as I believe he is going to occupy a very big position in the public life of India, as big as the one which he occupied formerly, I do not think he should be misrepresented in this House.

**Dr. Ziauddin Ahmad:** I think probably I did not mention the name properly. I mean the editor of the *Hindu*.

**Mr. C. S. Ranga Iyer:** The quotation, though very helpful to him, no doubt, was probably not a quotation from Mr. Rangaswami Iyengar. He mentioned the name of Mr. S. Srinivasa Iyengar.

**Dr. Ziauddin Ahmad:** It is the slip of tongue. I quote from Mr. Rangaswami Iyengar's speech on page 3752 of the Assembly Debates of the 31st August, 1927, and here it is and my Honourable friend can read it.

**Mr. C. S. Ranga Iyer:** I see just now that it was a quotation from Mr. Rangaswami Iyengar and that the name of Mr. S. Srinivasa Iyengar was mentioned by mistake.

**Dr. Ziauddin Ahmad:** I meant Mr. Rangaswami Iyengar who was a member of the London Committee. On account of his changed attitude, he has placed himself and his paper in such an illogical position that both the Honourable the Finance Member and the Honourable Members on this side of the House quoted from the *Hindu* for the support of their diverse and conflicting claims. Sir, every one can change his opinion under new circumstances, but it is fair for the followers that those who change their opinion should make a clear statement and should give their reasons. I took very great pains to find out the arguments in favour of the Shareholders

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Bank in the reports and I dare say that I tried to convince myself even while I was in London, but not a single convincing argument was related to me except the rhetorical expression, which is given in the note of dissent, and I call it rhetorical, because it is merely a catch word, that the Bank should be "free from political influence"; and that this Bank should be like other banks in European countries. These are the only two arguments that were given to me, and I should like to examine them in detail. Before I go further, I should like to establish a Lemma. Lemma is a side proposition, which is required for the proof of a main proposition. Assuming that the Members of the Legislative Assembly are politicians, that they represent politics, is it or is it not a fact that the Members of Parliament are also politicians and that they also represent politics? If it is so, then is it or is it not a fact that the Secretary of State for India is as much a politician and the Governor General is as much a politician as the Members of this House or their future Ministers? In fact, as was put down by one of the speakers in 1927, the Secretary of State for India and the Governor General are politicians, they are in fact politics personified. May I ask whether the Governor General is the head of an academic institution, is he the Vice-Chancellor of a University or is he the ruler of a country and governing India? Therefore, if there is any politician in India, there cannot be a greater politician than the Governor General himself. If there is any politician in England for purposes of India, there cannot be a greater politician than the Secretary of State himself. Therefore, if you consider the Members of the Legislature and if you consider the Ministers of this country to be politicians, then you are bound to admit that the Secretary of State and the Governor General are both arch politicians. I very much appreciate honest difference of views if persons, who believe that the Bank should be free from political influence, remain consistent. If they press that the Bank should be free from political influence of this Legislature, is it or is it not their duty that they should press with greater force that the Bank should be free from the political influence of the Governor General and the Secretary of State? Is it fair that they should apply this principle only in the case of Indian politicians shut up their mouths that they should remain silent and say nothing when they apply it to the case of British politicians? Those persons who have supported the elimination of influence of Indian politicians and allowed the continuation of the powers of British politicians exercised through Governor General and the Secretary of State, I think they are neither true to themselves nor to their country, and all the adjectives that I can find from the Webster's Dictionary can be applied to them. It was their honest duty to put down their minute of dissent that, if they wanted the Bank to be free from political influence, then they should have removed altogether all the powers of the Governor General and the Secretary of State. Then, I say, their opinion would have been honest. It would be an honest difference of opinion. There may be two sides to the question, you may accept this or you may accept that. If you say on the one side that you want the Bank to be free from political influence and, at the same time, swallow the big pill of the Secretary of State and the Governor General, it is a position that cannot be substantiated. I want some person from the other side to get up and explain how they can consciously and logically explain that particular position. Coming now to the main question, the arguments in favour of a Shareholders Bank, I refer you to the minority report. It examines the arguments in favour of the Shareholders Bank. The arguments are, (1) It is the only form of a bank which will provide Directors

free from political influence, (2) in most countries of the world the Central Banks are Shareholders Banks. I now take up the second point that most of the banks in other countries should be Shareholders Banks and, in this, I cannot do better than really quote from the speech of Sir Basil Blackett and the reply given by Sir Purushotamdas Thakurdas. Sir Basil Blackett, speaking in the Legislative Assembly, on the Reserve Bank Bill, in August, 1927, says:

"The Government believe that the shareholders plan is far more satisfactory than any which has yet been before them and they have other reasons for preferring it, namely, that the plan is one which would be understood in the rest of the world, and the rest of the world will feel that, in dealing with the Reserve Bank of India, it is dealing with something which it can understand and whose constitution it can appreciate."

This particular point was put in these forcible words by Sir Basil Blackett, and I do not think any exponent can put it in better language. Now, I will read the reply of Sir Purushotamdas Thakurdas and I think nobody can put it in better language than he did. He gave the most effective reply, and he said :

"What does it matter whether the Reserve Bank in India is applauded by the rest of the world forthwith or not? The question is, whether the institution is suitable to India or not. Is the institution going to be an institution which is to be devised and carried on, in the interests of India, which is to serve the needs of India? And if the rest of the world, owing to their ignorance of the problem of India, do not understand the *raison d'être* of the institution which is to serve Indian purposes and Indian needs, is Sir Basil Blackett going to sacrifice that part of our necessity to the attraction that the rest of the world will at least applaud his ideal? We, at any rate, Sir, cannot be a party to what may be approved of in England, America, Germany, France or Russia. What we want is what will suit us, what we can approve of and what we can see clearly, will serve our best interests and the best of our needs."

The argument of following other countries has really no force. Circumstances differ in different countries. We have our own troubles, and the position which exists in this country does not exist in any other country. Is there any other country in which the foreign banks predominate the national banks there? Is there any other country where the money is lent at 75, 100 or even 200 per cent. to the ignorant peasants and still the Government of the day allow it, and take no action in the matter? Can this exist in any civilised country outside India, and will any other Government sleep over the matter when such a state of affairs exists? So this is really a very peculiar position which we cannot pass over. Therefore, every country has got its own needs and its own requirements and it is for us to say what form of central bank will suit us best, and should not servilely follow the examples of other countries.

Now, I come to another point which is very often argued that the Reserve Bank should be managed by businessmen, and politicians should not come near it. This point also was taken up in the 1927 debate, and here also I cannot do better than quote Mr. Jayakar's speech while discussing that Bill. This is what he said about businessmen alone being the best managers:

"I am very sorry, Sir, that I have to differ from the expert opinion of my Honourable and esteemed friend, Sir Victor Sassoon, when he laid down this dictum which I have very carefully noted and he says that these business undertakings can be best managed by business men. I ask him, how does it happen that Sir Ferozeshah Mehta was the first Chairman of the Central Bank? He was not a business man, yet he made a most successful administrator and provided a salutary check and curb upon all the expert business talent which sat round him. I believe, Sir, that Sir Victor Sassoon's dictum is an old superstition. It may no doubt appear to be a truism that business men can manage business much better than anybody else can, but it is only a half-truth. Business men, after all, are experts and all experts are tyrants in their own manner."

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And I said once on the floor of this House that all experts are eccentrics, and it would be rather a pity to hand over the administration of our currency policy to a body of eccentrics. Mr. Jayakar continues:

"If we put all experts together, it will be a combination of narrow visioned, self-opinionated men who will listen to nothing that is outside the limited ken of their own knowledge and experience."

This is the opinion expressed by Mr. Jayakar about business men. Sir, no doubt in certain matters we do require experts, but, in the administration of business and the administration of big concerns, it is very often the lack of expert knowledge that is more useful than detailed knowledge of that business. May I ask, Sir, when Lord Hardinge was put in charge of the War Office, was he an expert on war? When Mr. Borel, Professor of Mathematics, was appointed Minister of War in France, was he an expert in military affairs? Mussolini was only a schoolmaster, and was not an expert. Examples of this kind can be quoted, and I say that, if the business men can be politicians, why cannot politicians be business men? No business man ever acknowledged frankly that he is not a politician. Every business man poses himself to be a politician, but, at the same time, when politicians come and say that they can also understand a little business, they are not acknowledged as such. If a Civilian, by virtue of his passing certain examinations, is qualified to undertake any business, even the Governorship of a bank or anything else, then why should the Members of this Assembly, who may have passed even stiffer examinations, be excluded from this? So this particular thing is not really within the province of one man. Every person who has got common sense and understanding can appreciate and understand it; and very often we find that persons, who have not taken any degree and have got no experience, but who have got strong common sense, can understand a business proposition much better than all your business men, all your politicians, all your lawyers and all your Civil Servants put together.

Sir, I now desire to explode the theory that these shareholders whom I call *nimboo-nichors* in any bank or in a company represent the shareholders' opinion. Even in the case of the Bank of England, the Board of Directors are called the Bank Court. Mr. Hartley Withers says in his book "On the Meaning of Money":

"The Bank Court is a Committee recruited chiefly from the ranks of the accepting houses and merchant firms, and its members are nominated by itself subject to the purely formal confirmation by the shareholders."

In the Minute of Dissent the same idea is expressed and supported by Sir Osborne Smith: the Minute says:

"The Directors practically exercise the right of appointing other Directors and they get their action confirmed or passed by the annual General meeting.' This was verified by Sir Osborne Smith in the following questions and answers with regard to the Imperial Bank :

*Q.* Do you know of any occasion on which anybody has been elected in a general meeting of a Director without the back door influence of nomination first by the Directors?

*A.* I have no recollection of it."

So this confirms the view that the election of Directors in any Shareholders' Bank or any Shareholders' concern is really a farce. There are a few persons who really get the proxies and who get themselves elected. A person who has got a small share will not take the trouble to make the journey and attend the meeting. He will not even take the trouble of spending a few annas in sending his proxy. So, really speaking, the shareholder is only interested in getting his dividend regularly; and so long as his pockets are filled up and dividend is paid punctually, he does not mind in the least. Therefore, the shareholders exercise very little influence in the election of the Directors. The position is summed up in the minority note in a beautiful form which I should like to read. The passage reads:

"The Secretary of State represents politics just as much as the future Indian Minister; and hence the substitution of one for the other does not secure the freedom from political influence, which is claimed by the Government. In either case, the Secretary of State will have determining voice, but in case of Shareholders Bank he will be immune from the criticisms of the Indian public and of Legislature."

Therefore, my assertion is that whether you have a Shareholders Bank or whether you have a State Bank, the policy will always be regulated by the Managing Director. The Managing Director, in either case, will be appointed by persons who are called "politics personified". The only difference will be that, in the case of the Shareholders Bank, he will fire the guns by putting it on the shoulders of the *nimboo-nichore*: in the other case, his actions can be criticised on the floor of this House. Sir, I ask the House to consider at this moment that we desire the Government to have the power, and the Government refuse. Is there any one under the sun who will say: "No, I do not want power: please give the power to others"? Can you expect a thing of that kind from the present Government? If they have got such generosity, then why should they not show this generosity in other spheres—why not give a Constitution to India on the lines that India wants? Why all this fuss of a first Round Table Conference, a second Round Table Conference, a Third Round Table Conference and, after that, perhaps a Committee next year will come from England to India to see whether the provinces are prepared for Provincial Autonomy and use it correctly. If generosity is to be shown, then why do you not show it in other matters, but only in this? The real fact is that there is something behind the scenes. Had it been really for the benefit of India and in the direction of giving greater power to Indians, then probably the Government would not have been so keen: pressure would have come from the Opposite Benches and there would have been opposition from the Treasury Benches. But the facts are the other way round. It is clear that in either case the Secretary of State will wield all the powers and be above all public criticisms. Let us see what we are doing. We have got the credit of our country; we have got the control of our currency policy; we have got control of all the banks in this land; we have got the control of all these agricultural and co-operative banks; we are going to put them all in the hands of a few persons: for what? Simply because they bring Rs. 5 crores—not because the Government want Rs. 5 crores—we can really provide many times the Rs. 5 crores—but because Government want certain persons on whose shoulders they will put guns and fire.

I have so far dealt with the question of Shareholders' Bank *versus* State Bank; but I do not like to go into details now as we are likely to deal with the issue, later on, on this particular subject when we come to the detailed provisions and we can then go into detailed arguments. I have only just mentioned in a general manner that, looking at it from the point of view of Muhammadans, from the point of view of the Hindus, from the

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point of view of any community in India and from the point of view of the country as a whole, there cannot be any question that the State Bank is the Bank which suits Indian conditions. I said before that persons who honestly believe that a Shareholders Bank is necessary to eliminate political influence it is also their duty to oppose the influence of British politicians. There are only two classes of persons who may be opposed to a State Bank, but agree to the retention of British political influence. The first class I will describe by a story. (Hear, hear and Laughter.) Perhaps those of us, who have read the "Arabian Nights" and the stories of demons and fairies, will remember that the lives of these demons and fairies very often were not in their own bodies but located in a bird or animal, thousands of miles away from the place where they resided—birds or animals kept in cages in a distant land. The first class of persons I was referring to are those whose conscience is not in their bodies but in Whitehall. These are really in favour of a Shareholders' Bank. The second class who are in favour of removing Indian political influence and retaining British political influence, as embodied in the present Bill, can be divided into two categories, (a) and (b): (a) comprises those who sell the country for their personal profit, and (b) are those who present the country for no profit . . . .

**The Honourable Sir George Schuster:** On a point of information, will my Honourable friend inform me to what class or category I belong?

**Dr. Ziauddin Ahmad:** I do not want to enter into personalities: I wish that every one may put his hand on his heart and decide for himself.

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) resumed the Chair.]

**Mr. Muhammad Yamin Khan** (Agra Division: Muhammadan Rural): Which category does your leader belong to?

**Dr. Ziauddin Ahmad:** Barring these two categories, you will find that the whole country is unanimous in demanding a State Bank as they find that the influence of the Governor General and the Secretary of State cannot be eliminated and I think if my Honourable friend withdraws this Bill at this stage or at a later stage, his withdrawal will be received with great consolation throughout the length and breadth of India. Sir, as I said

4 P. M. just now, I do not want to go into greater details, because we are going to have a separate debate on this particular question, that is the relative importance of the Shareholders' *versus* State Bank, but I say it is almost the unanimous desire of the people of this country that they should have a Reserve Bank, but not of the type which is contemplated in this Bill.

I shall leave this question of the State *versus* Shareholders Bank for the moment, and I shall take up one or two other issues. The next important issue is the question of ratio. I do not agree with my distinguished friend, the Finance Member, that this ratio question is outside the scope of the present Reserve Bank Bill. We have really to legislate on this particular point, we have to give our benediction on two particular clauses, clauses 40 and 41, which are provided in this Bill. What are we to do? Are we to leave out these two clauses altogether? If we do so, what would be the effect? If we leave out these two clauses, it will really mean that the rupee will no longer be linked to sterling and it will be

allowed to find its own level. I know that there is some weighty opinion in favour of this, but I am personally opposed to it, and I think, Sir, it is for the benefit of India that rupee should continue to be linked with sterling. My reason for holding this view is that this rupee is a managed currency. The value of the rupee is not equivalent to sixteen annas worth of silver; it is equivalent to 6½ or seven annas. Therefore it is a managed currency. Therefore, it will be to our advantage to have it linked with sterling, which is also a managed currency. Therefore, I strongly urge that these two clauses, clauses 40 and 41, should not be deleted from this Bill. As I said, I strongly believe that the rupee should continue to be linked with sterling, but at what value? That is really the question, and I say that the present value of 1s. 6d. is rather too high, and it is impossible for us to maintain this particular level. There may be two opinions on that point; one will say that it should be reduced to 1s. 4d., while the other will say it should be reduced to 1s. 2d. or even less, and we do not know how far it will go down. But I think there is practical unanimity in the country that the present ratio is too high, and I have three arguments in favour of that view. My first argument is that India has to remit to the United Kingdom money equivalent to about 70 million sterling. This includes the commitments of the Government of India and also the remittances which private individuals make from time to time. 70 million sterling must be found every year which India has to pay to the United Kingdom. Now, how is this money to be found? Where is it to come from? We have been paying this amount, and that is the only natural way, in the shape of goods. We export our goods, and from that export we first pay the price of the goods which we purchase from outside, and then about 70 or 80 millions are left over, out of which we meet our external obligations and remittances, and still a small amount is left over out of which we purchase gold and silver; or, speaking in technical language, our export trade was always a favourable one, and it amounted to something in the neighbourhood of 75 crores. But unfortunately the whole position is changed, and I do not think that this year or, even for many years to come, we can have a balance of trade amounting to about 75 crores, and if the balance of trade is not favourable and we could not meet these external obligations by means of our goods, then how can we do? The only other alternative will be for us to pay from our gold reserves, that is to say, the little gold ornaments which the people of this country possess, will have to be sold out in order to meet our external obligations, and if the sale of gold goes on, a situation will be so created that all available gold ornaments in the country will have to come out, and it will be sold as distress gold and, out of the proceeds of the sale of this gold these 70 crores will have to be paid out every year. We know very well that we cannot go on exporting gold for an indefinite period, we cannot go on paying our external obligations to the extent of 70 millions every year by exporting our gold. The moment the supply of gold ceases, our currency will break down. Therefore, we have to find out methods to increase our exports, and by that means alone we shall be able to pay our external obligations. Now, this question is really far more important than anything else, that is to say, how can we increase the volume of our export trade in order to meet our external obligations to the extent of 70 millions every year? This particular question has been taken up by several countries and, I think, my learned friend, the Finance Member, will agree that the example of Sweden, New Zealand, Australia and other countries is in favour of this, that is, by depreciating currency, we can increase our export trade. It is a simple thing which anyone can easily understand. If you make your money very cheap and keep it at a very low level, it will be very difficult for you to purchase things from outside; it will be easy for the outsiders

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to purchase things from you; your imports will be diminished, and your exports will be increased and, therefore, the balance of trade will always be in our favour. Therefore, the only way by which the balance of trade can be secured is by lowering the exchange ratio, and if I am wrong in my supposition I would like to be corrected by the Honourable the Finance Member in his reply; but if he does not give me a reply to this particular question, we shall have no other alternative but to draw the inference that my statement is quite correct, my proposition is correct, but the Government, for some reasons, best known to themselves, are not willing to do what is really good for the interests of India.

**Khan Bahadur Mian Abdul Aziz** (Punjab: Nominated Official): Will the other country, to whom you propose to sell your things, take no measure whatsoever to protect itself against your dumping? Have they not powers to manage their own currency?

**Dr. Ziauddin Ahmad:** This question of dumping does not really come in here at all; that depends upon entirely other factors. We are not manipulating the currency in a manner as to allow the rupee to find its own level; it will continue to be connected with paper sterling, but at a price at which it is most economic. The other argument which is really a reply to the objection raised by my Honourable friend, Mian Abdul Aziz, is this. If you link rupee with sterling, you must link it at a level which is economic to both countries, and see what is the true ratio at which you can link the two countries together by an artificial law, and that can be determined by means of the price level. We find that the price level in England has risen by  $3\frac{1}{2}$  points, and the price level in India has gone down by 3 points during the same interval, that is, one has gone up and the other has gone down. The difference between the price levels of the two countries has been  $6\frac{1}{2}$  points during the same interval. This is a clear proof that the rupee has not been linked at its true economic value to the sterling; otherwise the movement of price levels would have been, either going up together, or coming down together.

**The Honourable Sir George Schuster:** I really must interrupt my Honourable friend here. I am sure he appreciates the fact that the index figure in England is worked out on the basis of a different set of commodities to what the index figure in India is worked out. In India the index is based primarily on the agricultural products, while in England it is based on manufactured products. The prices of agricultural products all over the world are specially low and the Indian index figures stand specially low. I am sure, my Honourable friend appreciates that point.

**Dr. Ziauddin Ahmad:** I very much appreciate that point of view, but we have to take the commodities in India as they are, and take the commodities in England as they are. The prices of manufactured articles and raw commodities are not moving proportionately. The disproportion should be met by the management of currency, and we must see that whatever the commodities may be, they move together, and we must link our rupee at a level so that the price level of these two things may either go up or come down. Since the War, the price level of primary articles has gone down enormously and the only way in which you can raise

the price level is to substantially lower this exchange ratio from 1s. 6d. to 1s. 4d. or even lower. That is the only way we can arrive at our desired result. We are dealing with articles quite different from those in England, and the price levels of agricultural products have gone down to a greater extent than the price levels of manufactured articles. If you find that 1s. 4d. is not high enough, you will have to lower it still further so that the price of agricultural products may rise.

The question of the rise of prices of agricultural products is one of vital importance to the people of Northern India—why, not only to the people of Northern India, but to the people of entire India, because agriculture forms the occupation of 85 per cent. of the population of this country. Therefore, it is a question of life and death to the people of this country that the price level of agricultural products should rise; otherwise, it would be impossible for them to live economic life, and the economic equilibrium of the country will be disturbed. How can this be done? I can only say, you must manage your currency in a manner that the price level may rise. In 1927, when the Currency Bill was passed, the Government gave the zamindars of Bengal and the Punjab to understand that 1s. 6d. was really very useful for them in the matter of agricultural products. The situation has now changed. Of course, it was really due to world conditions. I do not say that Government gave wrong promises, but their promises were not fulfilled on account of the change in economic conditions. When economic conditions have changed and those promises have not been realised, why should we not apply our minds afresh and find out a ratio which is really good for the people of this country?

Whatever the causes may be, we all admit that the price level has fallen enormously and that every step should be taken to raise the price level. I say and maintain that one method of doing it—I do not say that it is the only method, but this is the first necessary method—is to lower the exchange ratio to a level so that the prices may be raised to economic level, and I apply two tests by means of which we can put down the exact value of the ratio, whether it should be 1s. 4d. or still lower. We should put up a level, so that our exports may be increased, and we should fix it in a way so that the wholesale price index in India may move in sympathy with the index in the United Kingdom. Taking these two together, I am convinced in my mind that 1s. 4d. is really the very maximum that we can put it at the present moment, and I should welcome any suggestion so that the ratio may be made still lower than 1s. 4d. but I deprecate—I say that clearly—any attempt that we should be delinked from sterling and that the rupee should be left to find its own level.

**Mr. K. P. Thampan** (West Coast and Nilgiris: Non-Muhammadan Rural): Why not? Please develop that point.

**Dr. Ziauddin Ahmad:** We are in an economic storm in this world. The currency of every country is practically upset, and a large number of countries have already given up the gold standard, and the currency is always a mismanaged currency. If every country is allowed to find its own solution and is advised to steer its own boat, it will be in a very difficult position. In a storm it is always advantageous to have many boats tied together, so that we may be able to face the storm better.

**Diwan Bahadur A. Ramaswami Mudaliar:** All of them will sink together.

**Dr. Ziauddin Ahmad:** Then we see a new world and a better world. If all the countries, who have gone off the gold standard, unite together and manage their own currencies and fix by some methods, which, I think, the time before me will not permit me to develop . . . .

**An Honourable Member:** Tomorrow.

**Dr. Ziauddin Ahmad:** . . . . their different currencies together and manage them in a manner so that they may be converted from one currency to the other at a suitable price, it will be very advantageous to the world. If more countries unite together, then ultimately the gold countries will be compelled to give up their gold standard and adopt sterling standard. After all, gold has got an artificial value in this world, and I think, the sooner we say good bye to gold, the better it will be for the world, for every country, and for the monetary policy of every country.

**Mr. Muhammad Yamin Khan:** What will you do with the 40 crores of gold?

**Dr. Ziauddin Ahmad:** Bury it or use in ornaments. Other nations have ten times the amount of that gold. Gold has only an artificial value, and if all the countries unite together and fix the value of their currencies in terms of a common currency, which at the present moment can only be sterling and nothing else, then, I am sure, that we will be able to find a solution of the present troubles as regards the monetary policy, though I do not profess that it may be the best solution. The best solution probably would be that we go back to the position which we occupied before the War, that is, gold standard in every country, the value of silver in the rupee equivalent to sixteen annas, the value of rupee always fixed in gold—that is a position which, I am afraid, will not be obtainable at least in our lifetime and for many years to come. The only way in which we can do it is to have managed currency and determine common unit, and the best unit is sterling unit, and I think it is advantageous not only to India but to every country in the world if they connect their currency in some form or other with the sterling and give up gold standard. It will be to the good of the trade, it will be to the good of the travellers, and it will be to the good of the general monetary policy of the world. So I say, I do not believe that the rupee should be delinked from sterling. It should continue to be linked with sterling. It should be linked on a level which is economical to this country and the present level is not certainly economical. Suppose, tomorrow the people may not bring out their gold from their own reserve, then the entire burden will fall on the Reserve Bank, and the amount of gold which we are now giving may probably disappear in a year or two and then your Bank will become bankrupt and the burden will fall on whom—not on those *nimboo-nichors* but on the tax-payers of this country.

Sir, the next question I should like to touch on is the question of the compulsory deposit of a Reserve Bank. The Honourable the Finance Member throughout his speech took very great care in calling it a Central Bank. In his speech he very seldom used the words "Reserve Bank". . . .

**The Honourable Sir George Schuster:** I recognise no distinction between the two.

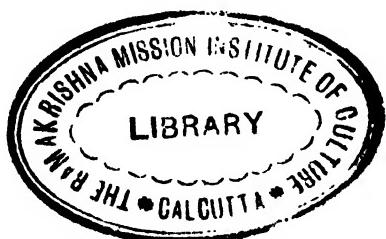
**Dr. Ziauddin Ahmad:** If the Honourable Member makes no distinction, then the only distinction that I make between the Reserve Bank and the Central Bank is that, in the case of the Reserve Bank, it is really compulsory for a Reserve Bank to receive compulsory deposits from the member banks, and, if the Honourable Member can forgo this particular compulsion, then there will not be a great disagreement between himself and myself. I believe that the question of a compulsory deposit from the member banks at this stage is a very harsh measure, which, in the present financial crisis, many of the banks will not be able to afford. I am very strongly in favour of the fact that the Central Bank should have a very strong supervision over all the banks in this country. They should have a very strong audit department and they should see that the accounts of all the banks in this country are very regularly audited. We had an example before us of the Alliance Bank in which one man, in spite of the fact that the bank had an elected Directorate, brought the bank to grief. The bank had all the provisions that we are now providing in this Bill. In spite of that, the bank failed. We have now got the example of the People's Bank. It really came to grief in 1912. The owner purchased all the shares at a nominal price and afterwards got all the shares in his own pocket, floated the capital again and again, mismanaged the bank which has again come to grief. By some legal quibble, they are still advertising for further deposits in spite of the fact that the bank has come to grief. Now, I would very much like that the Central Bank ought to be in a position to have a regular audit of all such banks in this country and assist them financially. If this is done, then the people will have greater confidence in the indigenous banks of this country and they will all flourish. I would very much like the Central Bank to come forward to give a little aid to these banks when they come to grief, of course under certain conditions, because we cannot squander the money. I would very much like a very strong and strict supervision of the Central Bank and all the banks of India, whether they are scheduled banks or unscheduled banks, but so long as they are chartered banks and so long as they have been registered under the Companies Act, then it ought to be the duty of the Central Bank to see that they closely audit their accounts. But, at the same time, I do not believe that these persons should be compelled to deposit a sum of money. Now, I do not know the figures exactly, but somebody has calculated the amount for me and I am told that the compulsory deposits at the very outset will amount to something like 10 crores. I have not calculated it myself. (*An Honourable Member: "5 crores".*) Whatever it is, it is an additional amount which the *nimboo-nichors* are getting. In these days, it is not desirable that we should press for compulsory deposits, and I should very much like that this provision should not find a place in the Statute. By means of convention the thing may be introduced at a later stage, when the Bank is fully established, when the people have fully realised its advantages. Then the time may come to have a compulsory deposit, but at the same time, if you ask any bank to have a compulsory deposit, there ought to be a provision there that they should be able to withdraw this money at the time of need. Perhaps I did not read this Bill very carefully, but I did not find anywhere any provision in which it is

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laid down that these banks which are going to have compulsory deposits can withdraw the money at the time of their necessity. I consider that this provision of compulsory deposit and the liberty to withdraw the amount at the time of necessity should not be provided in the Statute, but should be left over to future convention between the Central Bank and the member banks. This was really my second point. The third point is one in which we in upper India and all those persons who are interested in agriculture are very much interested, and that is the point raised by my friend, Mr. Raju. I maintain at the very outset that any Central Bank which omits the provision of having a separate department to give credits to rural banks and to co-operative banks is really not worth the trouble. It is really of no use to 85 per cent. of the population. It should be able to provide credit to the rural population by advancing money on immovable property and also giving short loans and long term loans. If that is not provided, then, I say, that as far as 85 per cent. of the population is concerned, this Central Bank is of no use to us. It does not do any good. The rate of interest for the Imperial Bank has been reduced to 3½ per cent. and one would expect that the bank rate of interest in every village and town would be reduced to five or six or seven per cent., but we actually find that the reduction of the bank rate of interest has absolutely no influence on the rate of interest prevailing in villages and towns. Their rates are determined by laws of their own, which are still outside the influence of banks. Our Central Bank should influence these laws.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member can resume his speech tomorrow morning.

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 29th November, 1933.



## LEGISLATIVE ASSEMBLY.

*Wednesday, 29th November, 1933.*

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

### QUESTIONS AND ANSWERS.

#### STATE OF HEALTH OF MR. SUBODH CHANDRA MITRA CONFINED IN THE DEOLI DETENTION CAMP.

1207. \***Mr. S. C. Mitra:** (a) Will Government please state the present state of health of Mr. Subodh Chandra Mitra, B.A., now confined in the Deoli Detention Camp?

- (b) For what treatment was he taken to the Ajmer Jail?
- (c) Was he completely cured before he was re-transferred to Deoli?
- (d) What was he suffering from and for how long?
- (e) What is his present weight?

**The Honourable Sir Harry Haig:** (a) The detenu is at present being treated in hospital on account of a slight evening rise in temperature; but his state of health is reported to be fair.

(b), (c) and (d). He was taken to the hospital at Ajmer not for treatment but for X-Ray examination on account of abdominal pain from which he had suffered for about a week previously. He was detained in the Ajmer Jail for one night only.

(e) 86 lbs.

**Mr. K. C. Neogy:** What is the result of this X-Ray examination?

**The Honourable Sir Harry Haig:** I think the result of the X-Ray examination was to disclose that there was nothing seriously the matter with him, but actual medical details do not seem to me very appropriate to discuss on the floor of the House.

**Mr. K. C. Neogy:** Is this slow fever still persisting?

**The Honourable Sir Harry Haig:** Yes, he still has a slight evening rise.

**Mr. K. C. Neogy:** Is there any medical explanation as to what this may be due to?

**The Honourable Sir Harry Haig:** I should be very glad to give the Honourable Member any more detailed information that I may have if he or perhaps Mr. Mitra will see me.

**Mr. Gaya Prasad Singh:** Will the Honourable Member be glad to give the answer about the illness or will he be sorry to give it? (Laughter.)

**The Honourable Sir Harry Haig:** I am sorry for the illness, but I am always glad to impart information to Honourable Members.

**Mr. S. C. Mitra:** May I, then, take it that the pain in his stomach has ceased now to which the Honourable Member referred in his answer?

**The Honourable Sir Harry Haig:** As far as I know, yes; but if the Honourable Member could arrange to see me afterwards, I will give him full details.

#### RESPONSIBILITY OF THE GOVERNMENT OF INDIA FOR THE DETAINEES DETAINED OUTSIDE THEIR PROVINCES.

1208. \***Mr. S. C. Mitra:** (a) Will Government please explain why all applications of the relatives of Mr. Subodh Chandra Mitra, a detenu, for interviewing him at Deoli have been rejected by them?

(b) Have Government any special reasons for prohibiting interviews with the said detenu?

(c) Are Government aware that the Deputy Inspector General of the Criminal Investigation Department (Intelligence Branch), Bengal does not even reply to the petitions for interview with Mr. Mitra?

(d) Will Government please state who is the proper person to grant such interviews with detenus detained outside Bengal?

(e) Have Government of India any responsibility for the detenus who are detained outside the jurisdiction of their own province?

**The Honourable Sir Harry Haig:** (a), (b) and (d). I would invite the Honourable Member's attention to the reply I gave on the 21st September, 1982, to parts (a) and (e) of his question No. 528.

(c) No.

(e) The Chief Commissioner, Ajmer-Merwara, is responsible for the general administration of the Deoli Camp Jail.

**Mr. K. O. Neogy:** Have not a set of rules been drawn up with regard to the granting of interviews with the detenus at Deoli?

**The Honourable Sir Harry Haig:** The rules have been framed by the Chief Commissioner, Ajmer-Merwara.

**Mr. K. O. Neogy:** Under the rules is the detenu entitled to have an interview with his friends at any stated intervals?

**The Honourable Sir Harry Haig:** Only when a detenu has received permission from the authorities appointed for that purpose by the Government of Bengal.

**Mr. K. O. Neogy:** Are there any conditions under which that permission is granted or is permission granted as a matter of course if the rules in the matter do not stand in the way?

**The Honourable Sir Harry Haig:** The permission, I think, is always granted provided the Government of Bengal have no objection. There may be certain rules about the number of interviews that may be allowed, but the question whether a particular interview should be allowed is referred to the Government of Bengal and the decision is based on their decision.

**Mr. K. C. Neogy:** Do I take it, then, that apart from the set of rules which have been framed for the guidance of the local authorities at Deoli, there are other rules that guide the Government of Bengal in determining as to whether an application for interview should be granted?

**The Honourable Sir Harry Haig:** No, Sir. I do not suppose there are any rules which guide the Government of Bengal. In these matters they have to act on their judgment on each particular case.

**Mr. K. C. Neogy:** Is the Honourable Member satisfied that in cases in which interviews have been disallowed, action has been taken on proper materials or on proper justification?

**The Honourable Sir Harry Haig:** I think this is a matter that should be left where it stands at present, namely, at the discretion and on the responsibility of the Government of Bengal who are carrying, I would like to remind the House, a very heavy responsibility in trying to deal with this formidable menace of terrorism.

**Mr. Gaya Prasad Singh:** May I know, Sir, if any relative of this detenu has been granted an interview with him since he has been ill?

**The Honourable Sir Harry Haig:** I understand that only one relative had applied for an interview.

**Mr. Gaya Prasad Singh:** Was his request granted?

**The Honourable Sir Harry Haig:** No, the request was not granted.

**Sardar Sant Singh:** Is it a fact that the gentleman who applied for the interview is a Member of this House?

**The Honourable Sir Harry Haig:** That is probably true.

**Sardar Sant Singh:** Is it a fact that his application was referred to the C. I. D. of Bengal?

**The Honourable Sir Harry Haig:** I have already informed the House that the procedure is that permission has to be obtained from the authorities appointed by the Government of Bengal, and in this case the authorities appointed by the Government of Bengal did not think it expedient to grant permission.

**Sardar Sant Singh:** My question is whether his application for the grant of interview was sent to the C.I.D. who reported that he was not a desirable person to interview the detenu?

**The Honourable Sir Harry Haig:** I do not know what the C. I. D. reported, but the position is that the Government of Bengal have appointed the Deputy Inspector General, Intelligence Branch, to carry out the duty of deciding whether permission should be given to particular individuals to interview detenus.

**Sardar Sant Singh:** May I know, then, whether the gentleman who is respectable enough and of a sufficient position to be a Member of this Honourable House is not desirable enough to see a detenu in the Deoli Jail?

**The Honourable Sir Harry Haig:** The matter is one entirely within the responsibility of the Government of Bengal.

**Sardar Sant Singh:** Is not the Government of India prepared to inform the Bengal Government that, in the case of the Members of this House, they should, *ipso facto*, be entitled to see the detenus?

**The Honourable Sir Harry Haig:** No, Sir, I am certainly not prepared to take up that position. I have already explained to the House that the Government of Bengal are carrying a very heavy responsibility, and the Government of India do not propose to interfere with them in the discharge of that responsibility.

**Sardar Sant Singh:** My question is that the gentleman is a Member of this Honourable House and, therefore, is a responsible gentleman and as such he should have facilities to see his relative when he is a detenu and not a convicted person?

**The Honourable Sir Harry Haig:** The Honourable Member's question was whether the Government of India were prepared to interfere with the decision of the Government of Bengal. My answer is in the negative.

**Sardar Sant Singh:** That is not my question. My question is that the gentleman, who is a Member of this House, is responsible enough to be granted permission without further inquiries from the C. I. D. That is my question.

**The Honourable Sir Harry Haig:** That has nothing to do with the point of principle on which I am taking my stand, which is that the decision in this case is the decision of the Government of Bengal.

**Mr. S. C. Mitra:** I do not claim any special privilege as a Member of this House, but I would like to know from the Honourable Member if he is aware that these interviews are granted under certain conditions. During these interviews a police officer remains present, and there is a net separating the prisoner from the interviewer, and whenever the police officer has the least objection to the conversation, he at once stops it. That being the case, will the Honourable Member tell this House what other reasons there may be for not granting interviews with relations of persons who are not convicted for any offence, but are merely detained because of the whims of the Government.

**The Honourable Sir Harry Haig:** These points were raised in a series of supplementary questions on this very matter in September, 1932, and

the questions and answers were all communicated to the Government of Bengal. This very point that the Honourable Member has just raised was clearly brought to the notice of the Government of Bengal, but it has not affected their decision.

**Mr. S. C. Mitra:** What was their reply to the points that I have raised? It is not a question of favour, but it is a question of personal right of the relatives to have interview with the detenu if there is nothing objectionable.

**The Honourable Sir Harry Haig:** I am afraid, I can say no more than what I have said already. The full facts are before the Government of Bengal and, with a full sense of responsibility, they have decided that it is undesirable to grant the interview.

**Mr. S. C. Mitra:** The facts are not correct. I have applied for a second time and the police officer came and enquired of me whether the detenu was my brother's son or my cousin's son, and I told him that he was my brother's son. Since then, for the last two months, no reply has been received from the Government of Bengal. I do not know why the question of granting interviews is left to the discretion of police officers and not to the Political Department?

**The Honourable Sir Harry Haig:** I understand that the last communication on this subject was made in a letter dated the 11th August, 1933.

**Mr. S. C. Mitra:** I have not received the letter. Do I understand that these detenus are under the police officials of Bengal and not under the Political Department of the Government of Bengal?

**The Honourable Sir Harry Haig:** That is the rule that has been framed by the Government of Bengal and it is in force in Bengal as well as at Deoli.

**Mr. S. C. Mitra:** Is the Honourable Member not willing to enquire from the Government of Bengal as to what objection they may have in permitting near relatives to see the detenu under all restrictions and precautions that Government may be pleased to inflict upon the relatives?

**The Honourable Sir Harry Haig:** The Government of Bengal are well aware of the conditions and, as I have said before, I am not prepared to question their discretion.

**Mr. S. C. Mitra:** The Honourable Member is further aware that the detenu is having slow fever for a considerable time past and, according to the Honourable Member's own admission, he was brought to the X-Ray Hospital for further examination for his pains, and the Honourable Member is further aware that in several other cases the detenus died without proper treatment. Does the Honourable Member still think that it is not necessary even to refer to the Government of Bengal to grant a man interviews under any conditions that they like to prescribe for his near relatives?

**The Honourable Sir Harry Haig:** I must deny the allegation of the Honourable Member that detenus are dying for want of proper medical treatment. With regard to the particular case of this detenu, who has admittedly been suffering from slow fever for some considerable period, though I recognise the natural anxiety of the Honourable Member as a relative of the detenu, and I should be glad to supply him with any medical details that are in my possession, I very much doubt whether a visit by the Honourable Member would result in any improvement in the condition of the health of the detenu.

**Sir Cowasji Jehangir:** Will the Honourable Member consider the question of allowing very near relatives to have an interview with the detenus if these detenus are ill or have been ill? I would appeal to the Honourable Member to consider that question. He need not give a reply straightaway, but he can consider that question in consultation with the Local Governments, not only with the Local Government of Bengal, but with all Local Governments, whether some concession might not be made in the case of detenus who are really ill and who desire personally to have an interview with near relations. I think that is a point worthy of the consideration of the Honourable Member and perhaps the Honourable Member might give that point of view a little more consideration with Local Governments and if what we are told about restrictions placed upon the interviews is correct, it appears to us at any rate that such interviews can do no harm. The conditions laid down seem to be fairly strict, and when the detenu is ill and the interviewer is a near relative, I think mere humanity would demand a reconsideration of the question.

**The Honourable Sir Harry Haig:** In the first place, fortunately this problem of detenus is at present confined to Bengal and I do not think the system exists in any other province. As to the question of normally allowing relatives to interview detenus who are ill, I have no doubt that that point is taken into consideration and all reasonable facilities are normally given. This is a special case in which the Government of Bengal for special reasons are unwilling that a particular relative should interview this particular detenu. I am perfectly prepared, as I did last time, to forward a copy of these questions and answers to the Government of Bengal, but I am afraid I cannot go beyond that.

**Diwan Bahadur A. Ramaswami Mudaliar:** Is it a fact that the father of the detenu also applied for an interview and that it was also refused?

**The Honourable Sir Harry Haig:** I have no information to that effect.

**Diwan Bahadur A. Ramaswami Mudaliar:** I understand that the petition asking for interview was signed both by Mr. Mitra and the father of the detenu.

**The Honourable Sir Harry Haig:** I am told only one person applied for an interview.

**Mr. S. C. Mitra:** That information is not correct.

**Sir Cowasji Jehangir:** Would the Honourable Member consider the question whether in case one relative is objectionable for any reason that Government may not be pleased to state, some other relative may be permitted.

Surely it is not possible that every relative of a detenu, who is ill, is objectionable. A child may be sent to interview the detenu and see whether the detenu is really in the condition in which he is believed to be. Surely, if a child is sent, it won't be objectionable to Government. I would appeal to the Honourable Member that in cases of this sort a little concession goes a long way to appease the apprehensions and feelings of the relatives without any harm to Government and with, I may venture to suggest, a great deal of advantage to Government.

**The Honourable Sir Harry Haig:** I am not suggesting for a moment that the Government of Bengal desire to stop all interviews with this particular detenu or that they would be likely to refuse applications from all relatives. I have no information whatever to suggest that, and here again I am perfectly prepared to forward this suggestion to the Government of Bengal.

#### DEATHS OF DETENUS IN THE DEOLI DETENTION CAMP.

1209. \***Mr. S. C. Mitra:** (a) Is it not the duty of Government to inform the relatives of the detenus about their illness?

(b) Is it not a fact that during the year 1933 in more than one case detenus died in the Deoli Detention Camp before their relatives received any intimation of their serious illness?

**The Honourable Sir Harry Haig:** (a) The practice is to inform relatives in the case of dangerous illness when there is time to do so.

(b) Only one detenu has died before his relatives were informed of his illness and in that case there was no reason to anticipate that the illness would end fatally.

**Mr. S. C. Mitra:** Arising out of part (a) of the reply, if the relatives are only informed in case of serious illness, does it not often happen that the information reaches the relatives after the death of the detenu?

**The Honourable Sir Harry Haig:** My answer was that this only happened in one case.

#### DETENUS IN THE DIFFERENT CAMPS AT DEOLI.

1210. \***Mr. S. C. Mitra:** (a) Will Government please state the number of detenus in the different camps at Deoli?

(b) How many detenus have been brought to Deoli during the last four months?

(c) How many, if any, detenus have been released from Deoli since the starting of this Detention Camp?

**The Honourable Sir Harry Haig:** (a) There are at present 388 detenus in the Deoli Detention Jail.

(b) 225.

(c) No detenus have been released from the Jail, but three have been transferred back to Bengal.

**SELECTION OF THE INDIAN DELEGATION TO THE WORLD ECONOMIC CONFERENCE.**

**1211. \*Lala Rameshwar Prasad Bagla:** (a) Will Government please state if responsible commercial associations were consulted while appointing the Indian Delegation to attend the World Economic Conference?

(b) If the reply to part (a) be in the negative, will Government state how the nominations were effected?

(c) Is it a fact that the Secretary of State for India took a prominent part in the matter?

(d) Are Government prepared to assure this House that in future while appointing Indian Delegations for such important conferences particular care would be taken to invite nominations from all the responsible commercial associations as is done at present in the case of the International Labour Conference? If not, why not?

**The Honourable Sir Joseph Bhore:** (a) No, Sir.

(b) Nominations were made after full consideration of the necessities of the situation.

(c) I regret I am unable to give the Honourable Member any information on this point.

(d) No, Sir. The manner in which nominations are made in such cases is indicated in the reply to part (b) above.

**Mr. B. Das:** May I inquire whether the Indian Delegation to the World Economic Conference has submitted its report to the Government of India and whether the Honourable Member will place that report on the table of the House and allow the House to discuss it?

**The Honourable Sir Joseph Bhore:** I shall certainly place such reports, as we have received, in the Library of the House.

**Mr. B. Das:** Has the Honourable Member received any specific report from the Indian Delegation that was chosen to the World Economic Conference?

**The Honourable Sir Joseph Bhore:** What does the Honourable Member mean by Indian Delegation?

**Mr. B. Das:** Delegates who represented India.

**The Honourable Sir Joseph Bhore:** We have received some report, and I shall place the report in the Library of the House.

**Mr. R. S. Sarma:** Is it a fact that this Delegation contained an Indian paid servant of an Indian State?

**The Honourable Sir Joseph Bhore:** I am not aware of the terms upon which the member, referred to by my Honourable friend, is entertained by the State in question.

**Diwan Bahadur A. Ramaswami Mudaliar:** May I take it that the Delegation represented both British India and Indian States?

**The Honourable Sir Joseph Bhore:** It certainly did, Sir.

RICE SOLD TO INDIA BY JAPAN.

**1212. \*Lala Rameshwar Prasad Bagla:** (a) Will Government please state if they are aware of a consignment of rice of 7,000 tons sold to India by Japan at a rate much lower than the present market rate?

(b) Are Government aware of the effect of the above transaction on the prices of food grains in India and consequently on the local trade and agriculture?

(c) Will Government please state what action, if any, they have taken to counter-act the effect of the above transaction on India?

(d) Is it a fact that the Government of Japan have placed a ban on the import of Indian rice?

(e) Will Government please state if they propose to take any action against the said ban placed by Japanese Government on the import of Indian rice to Japan?

**The Honourable Sir Joseph Bhore:** (a) Government have received representations containing statements to this effect, but imports from Japan during the past five months have amounted to 70 tons only.

(b) and (c). Do not arise.

(d) and (e). In 1928 an ordinance was issued by the Japanese Government prohibiting the import of rice into Japan except under license. This ordinance did not apply exclusively to Indian rice and the Government of India made strong representations in the matter at the time.

**Diwan Bahadur A. Ramaswami Mudaliar:** May I know if the Honourable Member has any information regarding the import of rice from Siam?

**The Honourable Sir Joseph Bhore:** I promise my Honourable friend that I will get that information. I have just received some telegraphic information, and I shall be happy to communicate it to the House in tabulated form so that it may be more easily digested by Honourable Members. I shall do so at the earliest opportunity.

**Mr. R. S. Sarma:** Has the attention of Government been drawn to an official interview given by the Japanese Consul General to the *Statesman* last week after the questions in the Assembly that a big consignment of Japanese rice, the export of which was imminent, was stopped as a sort of gesture at the intervention of Sir Joseph Bhore?

**The Honourable Sir Joseph Bhore:** I have seen that interview in the *Statesman*.

**Mr. B. Das:** Will the Honourable Member kindly explain how it is that the other day he said there were 66 tons of rice imported from Japan and today he says it was 70 tons? Do the Japanese send rice in driblets?

**The Honourable Sir Joseph Bhore:** What I said was that until the 31st October the import of Japanese rice amounted to 66 tons. In the interval that import has been increased by four tons.

**Mr. S. C. Mitra:** Have the Government of India received any representation from any of the Local Governments about this import of rice, as the Finance Member received a report from the Burma Government on behalf of the petroleum interest?

**The Honourable Sir Joseph Bhore:** I do not know what representation my Honourable colleague has received from any Government, but I have certainly received a representation from, I think, two Governments, Madras and Burma.

**Mr. B. Das:** May I inquire if those four tons of rice were specially sent to feed the Japanese Delegation at the tripartite conference?

**Mr. President** (The Honourable Sir Shanmukham Chetty): Order, order.

#### COMMUNALISM IN THE SUPERIOR SERVICES.

1213. \***Sardar Sant Singh:** Has the attention of Government been drawn to the article published in the issue of the *Hindustan Times* of the 4th November, 1933, regarding communalism in the superior services, a cutting of which has been sent by me to the Department concerned? If so, is the information given in it and the facts stated therein correct?

**The Honourable Sir Harry Haig:** I have seen the article. I am not at present in a position to make any statement in regard to the proposals that are under consideration.

#### DISTINCTION BETWEEN FIRST AND SECOND CLASS PRIVILEGED TICKET ORDER HOLDERS ON THE NORTH WESTERN RAILWAY.

1214. \***Sardar Sant Singh:** (a) Is it a fact that persons holding Second Class Privileged Travelling Orders are not allowed to travel by mail trains on the North Western Railway? If so, why not?

(b) Is it a fact that holders of First Class Privileged Travelling Orders are allowed to travel by mail trains on the same Railway? If so, why?

(c) Do Government propose to issue instructions that there should be no distinction between the two classes of Privileged Travelling Order holders? If not, why not?

**Mr. P. R. Rau:** (a) No such restriction appears in the North Western Railway pass rules.

(b) Yes.

(c) Does not arise.

#### GRANT OF THIRD CLASS PASSES TO RELIEVING ASSISTANT STATION MASTERS AND OTHERS ON THE NORTH WESTERN RAILWAY.

1215. \***Sardar Sant Singh:** (a) Is it a fact that the relieving staff on the East Indian Railway are given intermediate class passes, irrespective of their pay?

(b) Is it a fact that on the North Western Railway there are some relieving Assistant Station Masters and others who are given third class passes? If so, why?

**Mr. P. R. Rau:** (a) I am informed that it is only the relieving clerical staff who, in accordance with the pass rules of the East Indian Railway, are given Intermediate Class passes irrespective of pay.

(b) Under the pass rules of the North Western Railway, all railway staff drawing less than Rs. 50 per mensem are eligible for third class passes.

**Mr. Lalchand Navalrai:** May I know when these rules about passes were made?

**Mr. P. R. Rau:** I am afraid, Sir. I do not know.

#### RULES ABOUT TRANSFERS OF STATION MASTERS, GOODS CLERKS, ETC., ON THE NORTH WESTERN RAILWAY.

1216. \***Sardar Sant Singh:** (a) Will Government please inform this House whether there are any hard and fast rules about transfers of Station Masters, Assistant Station Masters, Goods Clerks or Booking Clerks?

(b) Is it a fact that on the North Western Railway these men are transferred simply on the reports of Traffic Inspectors, Police or dissatisfied junior officers?

(c) Is it a fact that Divisional Superintendents of Divisions rarely make enquiries into allegations made by officers mentioned in part (b)? If so, why?

**Mr. P. R. Rau:** Government have no information but I have sent a copy of the Honourable Member's question to the Agent, North Western Railway, for any action that may be considered desirable.

#### POSTAL WORK DONE BY THE RAILWAY STAFF ON THE KALKA SIMLA RAILWAY.

1217. \***Sardar Sant Singh:** (a) Is it a fact that Government servants are not permitted to do any private business or to serve anywhere else than in their own Department?

(b) If so, does the North Western Railway force its employees to do Postal work? If so, why?

(c) Is it a fact that on the Kalka Simla Railway, Station Masters are compelled to work under two masters—the Railway and the Postal? Under what Act or Government Rules are Government servants forced to work under two different Departments at one and the same time?

**Mr. P. R. Rau:** (a) The Government Servants' Conduct Rules provide that "A Government servant may not, without the previous sanction of the Local Government, engage in any trade or undertake any employment, other than his public duties".

(b) and (c). The Agent, North Western Railway, reports that the Administration does not force any of its employees to do postal work. Station Masters of certain stations, including some stations on the Kalka-Simla Railway, are permitted to do postal work in addition to their own duties for a small remuneration which is fixed in each case by the Postal Department, on the understanding that it does not interfere with their legitimate duties. This arrangement has been in force for very many years.

**Mr. Lalchand Navalrai:** May I know if the rules prohibit even the giving of private tuition to certain students at home?

**Mr. P. R. Rau:** As I understand it, this is a general question relating to all Government servants, and I suggest to my Honourable friend to put it to the Home Department.

**Mr. Lalchand Navalrai:** May I know it from the Home Department now?

**The Honourable Sir Harry Haig:** Will the Honourable Member kindly repeat the question?

**Mr. Lalchand Navalrai:** There are certain rules which prohibit public servants of the Railway Department from taking any service other than the one to which they are attached. I am asking whether a public servant is also prohibited from taking up private tuition and teaching some students privately on some remuneration.

**The Honourable Sir Harry Haig:** The question seems to be one of a little complexity and I would ask the Honourable Member to be kind enough to put it down.

**Mr. Gaya Prasad Singh:** Is it not a wholesome rule that Government servants should be prohibited from taking up private work except under certain conditions and with the permission of the superior officers?

**The Honourable Sir Harry Haig:** If the Honourable Member wants me to explain the existing rules on the subject, I shall be happy to do so if he will put down a question and give me an opportunity of looking up the rules.

#### GRANT OF PASSES TO THE NORTH WESTERN RAILWAY STAFF OVER FOREIGN RAILWAYS.

1218. \***Sardar Sant Singh:** (a) Is it a fact that on the North Western Railway officers are allowed twelve passes over foreign railways, whereas subordinate get only one return journey pass? Why is there such a great difference between the two?

(b) Is it a fact that employees who are permanent residents of foreign lines are not given any concessions in connection with foreign line passes? Is it a fact that many of these men do not use their local line passes even?

(c) Do the Railway Board propose to do something to redress the discriminations?

**Mr. P. R. Rau:** (a) and (c). The issue of foreign line passes is regulated by the Indian Railway Conference Association's Rules for the interchange of free passes which impose no restriction in the number of foreign line passes for officers. The Railway Board, however, have restricted the total number of home and foreign line passes for State Railway officers to 12, and to subordinates—8 for second class passes and 6 for intermediate and third class passes.

I may add that the whole question of passes to railway servants is at present under consideration.

(b) Employees of a railway are granted passes in accordance with the rules of the Railway on which they are employed, and their residence of origin is not taken into account.

**REFUSAL OF LEAVE TO THE CONTROLLERS ON THE NORTH WESTERN RAILWAY,  
DELHI DIVISION.**

1219. \*Sardar Sant Singh: (a) Is it a fact that Controllers in the North Western Railway, Delhi Division, do not get leave when applied for?

(b) Is it a fact that the amount of leave applied for is never granted, even though due?

(c) Is it a fact that these men are recalled from leave invariably?

(d) Is it a fact that there is no trouble about leave on other Divisions?

(e) Will Government kindly state whether the Divisional Superintendent, Delhi, has considered the introduction of a system like that in force in the Multan Division? If not, why not?

**Mr. P. R. Rau:** With your permission, Sir, I propose to reply to questions Nos. 1219 and 1220 together.

Government have no information, but I have sent a copy of the Honourable Member's question to the Agent, North Western Railway, for any action that he may consider necessary.

**REFUSAL OF CASUAL LEAVE TO THE ASSISTANT CONTROLLERS STATIONED  
AT SIMLA.**

†1220. \*Sardar Sant Singh: (a) Is it a fact that Assistant Controllers stationed at Simla cannot get casual leave?

(b) Is it a fact that there is no one at hand to take their place?

(c) Is it a fact that relieving men must come from the Control Office at Delhi?

(d) Is it a fact that very often men at Delhi are not available to reach Simla in time to relieve the Controller there in cases of urgency?

(e) Are Government prepared to consider the question of posting a Guard or an Assistant Station Master passed in Control work so as to utilise his services at short notice?

**QUARTERS ALLOTTED TO THE STAFF OF THE DIVISIONAL SUPERINTENDENT'S  
OFFICE AT DELHI.**

1221. \*Sardar Sant Singh: (a) Is it a fact that the Divisional Superintendent's office staff at Delhi are given quarters some four to five miles away from the office?

(b) Will Government please state whether they are given any travelling or conveyance allowance to minimise their difficulties? If not, why not?

(c) Do Government propose to help their Railway servants by special conveyance allowances?

**Mr. P. R. Rau:** (a) A few clerks have been permitted to occupy railway quarters in Paharganj and on the Hamilton Road.

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†For answer to this question, see answer to question No. 1219.

(b) and (c). No. Government do not consider that there is any reason for the grant of travelling, or conveyance allowance, as the clerks occupy these quarters at their own option.

#### RE-EMPLOYMENT OF TWO BENGAL ARTISTS IN THE INDIA HOUSE, LONDON.

1222. \*Sir Cowasji Jehangir: (a) Will Government be pleased to state whether two Bengal artists have been re-employed for further work at the India House?

(b) Will Government be pleased to state what further work is contemplated at the India House and the number of new mural decorations that have still to be painted?

(c) For what period are the above-mentioned two artists going to be employed?

(d) Has Government's attention been drawn to the dissatisfaction expressed in Bombay, both in the press and on the platform, at the continued refusal to give Bombay artists a chance to participate in the scheme of decoration at the India House?

(e) Do Government now propose to take steps to employ immediately some Bombay artists for the decoration of the India House?

**The Honourable Sir Frank Noyce:** (a) Yes.

(b) The work contemplated is the decoration of 837 square feet in the octagonal entrance hall.

(c) The artists were employed in May last, and are to complete the work during the current financial year.

(d) Yes.

(e) No. The two artists returned to England at their own expense, and offered to complete the original self-contained scheme of mural decoration which was left unfinished in 1931-32 for financial reasons. The arrangement was sanctioned as it offered a specially favourable opportunity of getting the work completed at a minimum of cost. There is no question at present of employing more artists.

**Sir Cowasji Jehangir:** May I know from the Honourable Member who chose these artists to do this work in the first instance?

**The Honourable Sir Frank Noyce:** They were chosen after public competition.

**Mr. K. C. Neogy:** Is it not a fact that they were chosen by a representative Committee which sat at Delhi and that it was quite an accident that all the artists chosen were Bengalis and that on the Committee Bengal was not over-represented?

**The Honourable Sir Frank Noyce:** I know nothing about the composition of the Committee, but the facts stated in the first part of my Honourable friend's question are entirely correct.

**Mr. H. P. Mody:** What steps do Government propose to take to prevent such accidents in future?

**Mr. K. C. Neogy:** I suppose Bombay has to come up to the same level as Bengal in this matter.

**Sir Cowasji Jehangir:** Will the Honourable Member state whether he or his Department will give this matter serious consideration when another opportunity arises?

**The Honourable Sir Frank Noyce:** Sir, I should like to reassure my Honourable friend by reading to him the views expressed by the late High Commissioner for India on this subject in 1931. Sir Atul Chatterjee, who himself comes from the east of India, then said:

"I would desire to express the personal hope that when the existing financial stringency has been alleviated, the Government of India may find it possible to cause other parts of the India House to be decorated by other Indian artists. The artists at present employed, although selected by public competition in India—(*a point to which I would draw the special attention of my Honourable friend*)—all come from the east of India; and it appears but seemly that a building which serves India as a whole should be adorned by artists from all parts of India. Fortunately there is no lack of surfaces in India House which call, and have been suitably prepared, for mural decoration."

I need hardly assure my Honourable friend that when the happy time comes that financial considerations permit of our proceeding with this scheme of decoration, these views of the High Commissioner will be most carefully considered.

**Sir Cowasji Jehangir:** How often have artists been sent for this decoration work?

**The Honourable Sir Frank Noyce:** I am afraid I am not very conversant with the details of this case as nothing has happened since I took over charge of the Department; but the reply which I have given to the Honourable Member would seem to show that they have been sent to finish one self-contained scheme of mural decoration, presumably that of the octagonal entrance hall.

**Sir Cowasji Jehangir:** Am I to understand from the answer given by the Honourable Member that when these artists went back, they went back at their own cost without any further burden on the taxpayer?

**The Honourable Sir Frank Noyce:** I have said so: I should imagine that they went to England in search of work and the High Commissioner found them there and took advantage of the opportunity to get this scheme completed at the minimum cost to Government. No expenditure on their passages either to England or back has been incurred by the Government.

**Diwan Bahadur A. Ramaswami Mudaliar:** Is the Honourable Member aware that there are artists in Madras also, the Ravi Varma School of Art, and that the artistic world is not divided between Bengal in the east and Bombay in the west?

**The Honourable Sir Frank Noyce:** The Honourable Member has no need to remind me of the versatility of the province from which both he and I come.

**Mr. K. C. Neogy:** But does the Honourable Member know that the Principal of the Andhra School of Painting is a Bengali and belongs to the Bengal School of Art?

**The Honourable Sir Frank Noyce:** I cannot but think that the rivalry between the provinces which has been expressed this morning bodes well for the artistic future of India.

**Mr. K. C. Neogy:** May I further know whether it is not a fact that the Bombay artists had a sufficient opportunity for the purpose of displaying their skill in this particular line of art in the domes of the Secretariat Buildings here?

**The Honourable Sir Frank Noyce:** It is a fact that Bombay artists have decorated parts of the Secretariat.

**Mr. K. C. Neogy:** And was any objection raised on the floor of the House by any Bengali Member to that?

**Mr. C. S. Ranga Iyer:** Will Government be pleased to communicate to the High Commissioner in London the questions and answers on this question?

**The Honourable Sir Frank Noyce:** I shall be very pleased to do so.

**Dr. Ziauddin Ahmad:** May I also remind the Honourable Member that there are good artists in Upper India; and in order to have a good impression about Indian art on the British mind, it is desirable that art not only of the east, the west and the south should be represented, but that the north should not be omitted?

**The Honourable Sir Frank Noyce:** It is becoming increasingly evident that when we are able to go forward with this scheme of decoration, we shall have plenty of talent from which to choose.

**Mr. K. C. Neogy:** May I also remind the Government that both the Principal of the Lahore School of Art and the Principal of the Lucknow School of Art are Bengalis and belong to the Bengal School of Art?

**Mr. B. Das:** How does the Honourable Member account for the fact that while Bengal produces artists for mural painting and fresco painting, Bengal has no archaeological remains containing fresco paintings, while the Bombay artists derive their inspiration from the Ajanta and Ellora caves?

**Mr. President (The Honourable Sir Shanmukham Chetty):** Order, order.

## THE INDIAN "KHADDAR" (NAME PROTECTION) BILL.

### PRESENTATION OF THE REPORT OF THE SELECT COMMITTEE.

**Mr. Gaya Prasad Singh** (Muzaffarpur *cum* Champaran: Non-Muham-madan): Sir, I beg to present the Report of the Select Committee on the Bill to provide for the protection of the names "Khaddar" and "Khadi" used as trade descriptions of cloth spun and woven by hand in India. (Cheers.)

## THE RESERVE BANK OF INDIA BILL.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The House will now resume further consideration of the Reserve Bank of India Bill.

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Muham-madan Rural): Sir, I will first, in one or two minutes, remind the House of the conclusions which I arrived at yesterday, and I will be very quick about it as I wish to finish by 12 o'clock today. I said that the Opposition was suffering under three disadvantages: the dead weight of the Council of State, the attitude of our leaders, and Sir, your absence from the Opposition. I also said that those persons who believed that this Reserve Bank ought to be free from political influence—it was their duty to put down a very strong note of dissent against any interference either on behalf of the Governor General in Council or on behalf of the Secretary of State, because both of them were politics personified; and I hope that on this occasion they will lose no opportunity in raising their voice and protesting against any interference from any politician, either here or abroad. I said also that this country did not want a *nimboo-nichors* bank, but it really wanted a State Bank; and I gave five arguments in favour of a State Bank which I only partially developed yesterday and which I leave to be developed on some other occasion.

My first argument in favour of a State Bank was that I believed that the entire profit of the Bank must go to the taxpayers, and there should be relief in the taxes on account of this profit. My second argument was that we must have Indianisation of the service, and it was our experience that Indianisation became more rapid in the case of State administration than it could be in the state of Company administration, and, in proof of that, I gave the case of the Indian railways; the Indianisation became more rapid since 1924 as more companies were taken over by the State. My third argument was that the Company, managed by these *nimboo-nichors* was not likely to help very freely the land mortgage banks and the co-operative banks. I do not want to develop this argument, but the gentlemen from my party will realise the attitude of the millionaires and the attitude of the would-be Directors, that they are always very backward in promising any help to the poorer people on one ground or another. My fourth argument was that the taxpayers would have greater confidence in the Legislature than in the Directors whom really they do not elect. And the last argument which I did not develop and which I say now is that, in times of crisis, these Directors are not required. We all know that whenever a financial crisis comes, the Government in every

[Dr. Ziauddin Ahmad.]

country have to intervene, and, in normal times, these Directors do nothing: the work goes on smoothly managed by the Governor and his deputies, and, therefore, these Directors are either superfluous or useless.

**Mr. B. V. Jadhav** (Bombay Central Division : Non-Muhammadan Rural).—They pocket the fees!

**Dr. Ziauddin Ahmad:** As my Honourable friend reminds me, the one practical thing that the Directors always do is that they pocket the fees and rob the poor taxpayers. This really reminds me that these Directors are not only *nimboo-nichors*, but they are also *kafan khasots* . . . . .

**An Honourable Member:** What is that?

**Dr. Ziauddin Ahmad:** I will come to that later on. We are living in abnormal times. The Honourable the Finance Member will bear me out that every country in the world is passing through a financial crisis. May I ask if this is the right time to launch this scheme of a Reserve Bank for this country? The Government of most countries are now making an attempt to interfere in the operation of their own central banks. We have got the example of Germany, America and of other countries in this matter, and, therefore, I ask, whether it is right for us to entrust this scheme in the hands of private bodies in such abnormal times.

Sir, I mentioned on the last occasion that there was a large fluid capital at present in the world, and it has been estimated at about ten million dollars. This fluid capital, which is called ready money, broke down the currency of England, it broke down the currency of America, and I fear, if you carry on the open market operations, our currency will also break down, and all the gold we possess will disappear from our country. These are very important considerations, and it is very desirable that, when we launch this Reserve Bank, we should put it on a sound and safe footing so that we may not lose through it the little amount of gold that we have already got. I am afraid that, at the present moment, if we begin to start a Company-managed Central Bank, we will be in very great danger of losing money by these open market transactions; our exchange will suffer enormously, it will be a great burden on the stability of exchange, and it is quite likely that the whole system may break down. Therefore, Sir, I consider that it is highly important that we should take very great precautions on this particular point.

Sir, our position here is a very difficult one. I have drawn up a cartoon in my note book, which, I am quite sure, Mr. Shankar will reproduce, not in the year 1933, but probably at some later date . . . . .

**An Honourable Member:** Why not place it on the table?

**Dr. Ziauddin Ahmad:** I have represented the taxpayers in the shape of a bear, and it is tied by two ropes. One rope in the neck is held by the Secretary of State and the other rope in him is held by *nimboo-nichors*. Both these people are pulling the poor bear who represents the taxpayers of this country. Close by it is the Central Legislature which is watching the whole thing with great excitement and trying in a great hurry

to cut off the two ropes and save this bear from this double pull, but unfortunately there is the very strong cage of the Governor General and his discretion about it, and this Legislature cannot possibly move in spite of all its efforts to help the poor taxpayers. Then, Sir, at a very long distance there are two persons, Sir George Schuster and Sir Samuel Hoare, who are watching the whole situation by means of binoculars and shouting with acclamation "Well played". This is really the cartoon I have drawn up of the whole situation, which, I hope, as I said before, will be depicted by Mr. Shankar in one of the Indian papers at a later date, and that will be the position of our taxpayers under the present Bill.

Sir, I do not propose to dwell at great length on the question of the ratio, but I shall only briefly refer to it and say that the de-valuation of it is absolutely essential for three reasons. In the first place, we want to have a favourable balance of trade, secondly, we want to have the movement of our wholesale prices in India quite in sympathy with the movement of the wholesale price in England, and, thirdly, which is the most important of all, we want to raise the price levels of our agricultural produce. For all these three things, I say that the lowering of the exchange value is essential, it is a necessary condition, though I admit it is not sufficient and there are several other things also to be taken into account, but without the de-valuation of the ratio, I challenge the Finance Member to get up in his reply and tell me how he is going to achieve them.

Sir, the next point I would like to take up and on which we on the Opposition side feel strongly is the question of the help to be given to land mortgage banks as well as to co-operative banks. Now, Sir, 85 per cent. of the population of India lives on land, and any bank, however it may be constituted and in whatever way it may be managed, which fails to give assistance to landed interests, I say, will not be fulfilling its duty for the benefit of the country, but it will be functioning for the benefit of a few capitalists. Therefore, we lay very considerable stress that, from the very outset, a special department ought to be provided for giving assistance to land mortgage banks and to co-operative banks, and if I have to choose between a Reserve Bank without a special department for rural services and no reserve Bank, I would say without hesitation that a Reserve Bank without a special department to help landed interests is not required in this country. The Honourable the Finance Member himself saw only two years ago that the abnormal fall in price level broke down the moral finances and the whole financial position of India became very shaky. So much so, they had to appoint Retrenchment Committees which are still ringing in our ears and which Government are still using for their own benefit. They are making it an excuse to turn out people whom they could not turn out under service regulations.

Then, Sir, I shall come to a fresh point, and that is the gold and sterling reserves. We do not want very high reserve for internal credit if the Bank is to be managed by the State; if the bank is to be handed to a few persons who will have confidence on those *nimboo-nichors*. It will be very important to realise that these *nimboo-nichors* should have sufficient money at that credit. Suppose I issue a pro-note for a crore of rupees, it will be immediately dishonoured, because I have got no gold behind me. Therefore, Sir, it is very desirable that in the case

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of the Reserve Bank, if it is to be a Shareholders' Bank at all, the reserves must be substantially larger than they would be in the case of a State Bank, otherwise the people of this country will not have much confidence in the Bank. Sir, I believe that the confidence of the people of the country is much more important than the confidence of people outside, however much the importance of the latter may be: so, in the case of a private bank, reserves must be very much larger.

Then, Sir, the next point which I would like to emphasise is that even in the case of a State Bank, we should have our reserves on a very much higher level than in other countries of the world, and this for three reasons. In the first place, no country has got silver rupees in circulation in such large quantities, and we all know that the rupee is nothing but a note printed on silver, it is not worth sixteen annas, but it is hardly worth 6½ or seven annas, and, therefore, we want certain amount of gold reserves for the large quantity of rupees which we have in circulation.

Then, Sir, the second abnormal thing is, we have to remit about 70 million and odd sterling every year to England, and it is not desirable that we should continue to pay them by raising special loans in England. We ought to have sufficient sterling security at our command so that we may be able to meet our external obligations for one year if other things fail, and I think it would be a sound policy to have sterling securities to the extent of our commitments of one year. Now, in order to determine the exact ratio of our reserve, I would like to give the ratio in other countries. The ratio of gold to the paper currency in other countries is as follows:—

England . . . . .	44·4
France . . . . .	59·9
Belgium . . . . .	41·3
Japan . . . . .	73·4
South Africa . . . . .	81·7

Therefore, for the reasons I have given, our ratio of gold to the paper currency must be at a higher proportion than the average in the countries I have mentioned. I have calculated these figures very carefully, which for want of time I do not want to go into now—probably an occasion will come when I shall have to describe them in detail—and I have come to the conclusion that we ought to have at least 50 crores gold reserve at old parity. This is to my mind the very minimum that we ought to have if we want to retain the confidence not only of people abroad, but of the people of this country, and to be able to meet any emergency that may arise. Then we should have sterling securities, and we will be on the safe side if we have sterling securities worth £70 millions so that we may be able to pay up our obligations under any unfavourable circumstances. Our reserves in rupees are very unhealthy and the amount should be diminished.

The next thing is the Imperial Bank. My Honourable friend, Mr. B. Das, described the Imperial Bank as a human being and, on looking into the dictionary, I find that human beings are defined as rational animals. My friend calls them rational animals, but from my own experience I would like to call them howling animals. But, apart from the

personal question, I take my stand on the proposition that there should be no discrimination. This is the principle which we have accepted everywhere, and I expect that this principle should be adopted in this case also, so that there may be no discrimination between the Imperial Bank and any other bank, and I shall give my reasons when we come to this particular clause.

The next point that I would emphasise is the period of this measure. I think that 25 years is rather too long a period. We do not know how the world would move and we cannot give a trial for such a long period. We have got our own experience of the last 25 years—what was the position of the currency about 25 years ago, what was the financial condition of the whole world then—and we cannot foresee what will be the condition after 25 years. Things are changing so rapidly now-a-days that even ten years is too long a period. Who can say that the position in 1960 would be the same as in 1933? Therefore, the maximum period that we can allow for this Bill is about 10 years on account of the abnormal fluctuations in the monetary position of the whole world.

The next point I would like to emphasise is the question of free transmission of money from one place to another. We have been emphasising it from this side of the House, and I think also the Finance Member has been very loud in his speeches in saying that they are providing banking facilities in this country. I welcome such a statement, but, may I just ask, whether the discount on every cheque is provision of banking facilities, or is it just the reverse? If I have got money in one bank, and I write out a cheque for Rs. 10 to be cashed at another bank, I pay eight annas. The Imperial Bank charges on its own cheque belonging to a different branch four annas per cent, with a minimum of eight annas. This is the practice in the Imperial Bank which we are going to patronise and which we are going to support at the cost of the poor taxpayers! Is it a banking facility? Several Honourable Members have banking experience of Europe. If I cash a cheque of the Imperial Bank in England or on the continent, I get the full value of the cheque at par or whatever it may be at the current rate of exchange; but here in India I have to pay an abnormal discount which is really very high for a country like India. Therefore, I think the time has come, if you really want to popularise banking facilities in this country, when these transmissions should be free, and the Reserve Bank should take this opportunity and give the lead. That is, they should remit money to their branches and scheduled banks free of cost, and other banks will be tempted to do these things likewise free of cost. And this is absolutely necessary.

The next point is also a point which probably will be raised in greater detail later on, and that is the power to amend this Act. This power is one which we ought to keep in our own hands. We here may pass any law on our own responsibility, but it is very unfair to bind our successors to a particular course of action and tell them that they cannot change this Act without special restrictions. Whatever general restrictions may exist for the changing of any law, they may be applicable also to this particular measure, but it would be really wrong to impose special restrictions in respect of the Reserve Bank Act only. Then we would be placing our successors in a position of handicap. I say, whatever rules and regulations exist in general for the amendment of any Act, the same rules and regulations should apply in the case of the amendment of this

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Act also, and we should be unfair to our successors if we say that special restrictions ought to be placed for its amendment.

Before I sit down, I just want to remind Honourable Members that the battle cry which they have now raised for the Reserve Bank is wrong. Their cry is business bank free from political control. I appeal to them that this battle cry should cease to exist, and that they should have a new battle cry, and that should be a national bank free from political control. And this is the principle which we on the Opposition stand for. (Applause.)

**Mr. F. E. James** (Madras: European): Sir, I find some difficulty in succeeding so eloquent and expansive a speaker as my Honourable friend, Dr. Ziauddin Ahmad, on whose speech I should like to congratulate him. I think also we may congratulate the Members of the Select Committee, both the majority and minority Members, on having produced an extremely comprehensive and valuable report.

I do not stand here in any sense as an expert such as has been described in Dr. Ziauddin Ahmad's speech; perhaps I might describe myself as the average man, and in that sense I should like to make a few observations of a very general nature on the proposals which are now before us.

I would, of course, make it perfectly clear from the outset that we on these Benches, belonging, if not to the largest, at least to by far the best organised Party in the House,—we on these Benches do not propose to support the amendment of my Honourable friend, Mr. Sitaramaraju. We are very anxious that the House should proceed at once with the discussion of the clauses of the Bill and with the amendments which have been tabled to them.

There have been in the minds of many members of my community doubts as to the advisability of attempting at a time of such uncertainty as the present to establish such an important organism in a nation's finance as a Reserve Bank. This difficulty is recognised in the Preamble to the Bill. The expediency of this measure is pointed out, but it is qualified by a clause which says:

"And whereas, in the present disorganisation of the monetary systems of the world, it is not possible to determine what will be suitable as a permanent basis for the Indian monetary system."

I would emphasise that qualification, because that is really vital to a consideration of this Bill. Yet we recognise the validity of the arguments used by those who sponsor this Bill that the establishment of such an organisation in this country has been made a necessary prelude to further political advance in the direction of Federation. We accept that. We believe that the Bank can be established. We believe that it can set in motion within a fairly reasonable time. We believe that, perhaps, even in spite of the difficulties that at present exist, it is good that such an establishment should be made now, so that when the time does come to consider a permanent monetary standard for India in consonance with a revised and reformed world standard, the Bank will have had experience in many directions, not the least of which will, I hope, be the smooth working of the personnel. I am not here going to touch upon the difficult question of the ratio. Sufficient unto the day is the evil thereof and I understand that we shall be arriving at somewhat heated discussions on that subject in the course of the next few days. There is

only one observation that I should like to make in this connection and that is that it is our general opinion and I believe that opinion is shared throughout that the one thing that every country in the world is looking to today is stability. We are not prepared to suggest any action which will in any sense affect whatever stability there is at present in the world either in India or in those countries with which she is linked.

Now, Sir, one of the most controversial points in the discussion of this Bill is as to whether the Bank should be a Shareholders or a State-owned Bank, and immediately we are taken into a sphere of quasi-political controversy between those who regard a capitalistic but controlled form of organisation as essential and those who regard a purely State-controlled organisation as essential. I do not propose to argue either system. For the former it has been argued that a Shareholders' Bank is free from political control. It obtains a Directorate from an elected body not immediately controlled by the State, but subject always ultimately to the control of the State. For the latter, it is said that a national monetary policy which affects the very life of a country should be controlled by the State and not by a group of capitalistic shareholders. I would remind the House that one of the most successful central banking organisations in the world is the Bank of England. It is a Shareholders' Bank and, with it, we find that most of the central banking systems in the world are Shareholders' Banks. Experience appears to have proved, up to the present, that on the whole and generally speaking they have functioned in a satisfactory manner when manned by the proper personnel, and have reached a stage of development in some countries where, what one might almost call, "altruism in financial matters" has enabled them to stand up and criticise their respective Governments and has made them also entirely immune to the pleadings of the shareholders in the matter of dividends. Of course that latter consideration will not arise in the case of the organisation which we are now contemplating, but I do suggest that it is of the utmost importance to have in a State a great financial organisation of this kind which is in a position from time to time to stand up to the Government and say to the Government that it will not carry out the policy which the Government desire to carry out in certain matters. But, Sir, to my own mind the controversy as to the question of a Shareholders' Bank or a State Bank is really at this stage not a very important one, because I do not think it really affects the main issue which is before us. Every Central Bank, even if it is a Shareholders' Bank, must be subject to a certain amount of regular Government supervision and must in the last degree be capable of being entirely controlled by the State. In the event of any great national emergency, the State must step in, and any Shareholders' Bank under those conditions would *ipso facto* become a State Bank.

Now, Sir, two very important functions which are to be employed by the Reserve Bank are included in the object clauses which have been slightly amended during the course of the sittings of the Select Committee. These are open market operations and the bank rate. It has been observed in the working of many central institutions that the raising or the lowering of the bank rate in itself is not quickly enough effective in securing the desired objective as the raising or the lowering of the bank rate coupled with the intelligent use of open market operations, although it does not necessarily follow that open market operations mean an alteration in the bank rate. Open market operations in themselves are simply the power of the Reserve Bank to buy or sell securities and thus influence the money

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market towards a more stringent or more open credit policy by means of increasing or reducing the reserve of the Joint Stock Banks. One of the primary objects, therefore, of the Reserve Bank will be the encouragement of greater development in the money market and particularly the fostering of a healthy and active discount market. To achieve this purpose, it will be necessary for some time at any rate, owing to the fact that the money markets of India are not so very well developed as in the West, to give the Reserve Bank wide powers and not place too many restrictions on its activities by laying down reserves which are too rigid. The exchange standard is going to be sterling, but the reserves of the Bank must be maintained in stipulated proportions of gold coin, gold bullion, securities of sterling standard countries, rupee coin and rupee paper. But certain minima are prescribed for the holding of gold and there are certain limitations on the amount of rupee securities. I do not want to go into this matter fully at this stage, because it is a technical point; but it may be observed that possibly it is somewhat strange to stipulate a prescribed quantity of gold unless it is for sentimental reasons when "devisen" has to play a most important part in its exchange policy and this, coupled with putting limits on the holding of rupee paper, may cramp the operations of the Bank and prevent a degree of elasticity which would be desirable. My own personal opinion, I do not know if it is shared by other Members of my Group, is that the Bank should have as much liberty as possible in order that its open market policy may be really effective.

Then, Sir, there is another aspect of the Bill on which I would like to make one or two observations and that is in connection with the scheduled banks. I am glad to observe that the Select Committee has made a reduction in the amounts of the daily averages of demand and the daily average of time liabilities which scheduled banks in India are to hold with the Reserve Bank. That was a subject on which there was a very widespread feeling on the part of the scheduled banks throughout the country and I am glad that the Select Committee has yielded to the expression of that opinion. Then I notice there has been no very definite provision made, although the Finance Member has left the door open, for the inclusion of indigenous bankers as scheduled banks. They may wield a power, in so far as credit is concerned, far in excess of that of many of the banks included in the Schedule. I recognize the difficulty of including them in any particular form at the present moment. But I do hope that if, as is probable, some of these indigenous bankers, many of whom carry on a perfectly satisfactory business, so rationalize themselves, amalgamate, and take possession of such reserves as might materially disturb the operations of the Reserve Bank even if the disturbance were local, there will be some way of bringing them into the list of scheduled banks.

**The Honourable Sir George Schuster (Finance Member):** If they rationalize themselves in the way suggested by my Honourable friend, they will of course automatically come within the list of scheduled banks.

**Mr. F. E. James:** I am very glad to hear that. I understand the door is left open in that way so that these banks, if they do rationalize themselves, will come in and I hope they will take the opportunity which is now given to them.

**Sir Cowasji Jehangir** (Bombay City: Non-Muhammadan Urban): What do you mean by "rationalize themselves"?

**Mr. F. E. James:** I am afraid I am not in a position to make a lengthy explanation of what I mean by "rationalize", but surely that cannot be a strange and new word to my Honourable friend in the banking world.

The second point in regard to scheduled banks is in regard to the point which has been so ably made by my friend, Mr. Sitaramaraju, in connection with the rural credit movement, as I prefer to call it, rather than the co-operative movement, in connection with its relation to the Reserve Bank. It is quite possible, to my mind, looking to the future that a state of affairs may arise in which the Reserve Bank will have to exercise, whether it wishes to or not, some very definite and effective control over the rural credit movement, and I think that the Reserve Bank ultimately will have to have a far greater control over this movement than through the mere provision in the Bill at present for purchasing nine months' agricultural bills bearing the signature of a provincial bank. I realize that this presents very great difficulties and I am not committed to supporting the particular proposals that are down on the order paper in the name, I think, of Mr. Sitaramaraju; but I do sincerely hope that the Finance Member will be able to give us some assurance that this particular aspect will be given very great attention by the Bank in the near future.

Now, there is one thing I should like to say in reference to what I consider to be a very statesmanlike part of the speech made by my Honourable friend, Mr. Mitra. If I understood it aright, my friend, Mr. Mitra, said that he, for himself, would not support those particular amendments which are put on the order paper requesting that there should be a statutory provision for a definite percentage of shares and Directorates to be held by Indian nationals. I should like immediately to acknowledge with great pleasure that statement of Mr. Mitra, because, as long as that amendment was down on the order paper, it would be natural for us to oppose that amendment, as any such provision in the Statute would, to our mind, imply some recognition of the principle of discrimination. I want to assure my Honourable friends on the other side that, as far as I am aware, there is no single section of the European community that is anxious, even if it were possible, to make a corner in the shares of the Reserve Bank or to get any preponderant number of places on the Directorate of the Bank. All such fears as those are entirely groundless and I may point out that our representative on the Select Committee has not tabled any minute of dissent to the suggestion that has been made that all European British subjects, ordinarily resident in India, when they retire from this country should forfeit the right to hold the shares of the Reserve Bank. I hope that the gesture which is made in that connection will be equally reciprocated by other Members of the House and I do very much hope that my Honourable friend, Mr. Thampan, in whose name certain amendments appear and who comes from the same Presidency as myself where the communities have lived together in a singularly happy atmosphere, will follow the lead of Mr. Mitra and not move those particular amendments.

**Mr. K. P. Thampan** (West Coast and Nilgiris: Non-Muhammadan Rural): I am afraid, I cannot oblige my friend and shall have to move them.

**Mr. F. E. James:** Then I am sorry to say that we shall have to oppose them in the way I have just indicated.

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Now, Sir, I have nothing further to say on the Bill at its present stage. This is not the place in which detailed points should be made. They will all come later. Fundamentally, the Bank will succeed if, from its very commencement, it rises above political considerations. It has a great work to perform and there is no reason, in my opinion, why it should not be able to accomplish that task. It should before very long be in a position to assist in the expansion of a bill market in this country and the creation of a much wider and more effective discount market which will all go towards the adoption of a healthier and more widespread money market interest, which in itself will lead towards a greater appreciation of the advantages which a Reserve Bank can give to a nation.

There is only one other aspect on which I should like to close my speech and that is an aspect of the whole question which I do not think has been stressed. Naturally, Honourable Members on all sides of the House have looked upon this measure as another indication of national progress, as another step on the way to the consummation of their political hopes for a free, federated India—and I do not quarrel for one moment with that ideal. But I look at the thing also from a wider point of view. I believe, in spite of present tendencies, that there are signs even today—and certainly those signs will increase in future—that central banking is moving towards a greater collaboration in the field of international finance. A great financier has recently said:

"It is horrible to contemplate the waste of wealth and retardation of progress which it is fair to attribute already to the muddle and confusion and division of purpose with which the Central Banks of the world have been afflicted since the Resolution of the Geneva Conference of 1922."

That confusion of opinion and that division of purpose is not going to be changed by changing your Central Banks from Shareholders' Banks into State Banks. In fact, in the present development of nationalism throughout the world, if those Banks had been all State Banks, I am quite sure that that division of purpose would have been even deeper and the confusion of opinion would have been greater. It is the very fact that the majority of those Banks are Shareholders' Banks that has prevented the world from going further into the morass in the realm of international finance than it has gone today. I know I am open to the charge being levelled at me by Honourable Members that the failure of the World Economic Conference cannot lead anyone to assume that there is likely to be a greater and increasing collaboration in the world of international finance in the near future. Yet I am not at all sure that even today there are not signs that countries which have taken on themselves a policy of national reorganization before everything else are beginning to realize that national reorganization and national expansion are all dependent ultimately on international relations both in the economic and financial spheres. I think there is a desire apparent today on the part of the Central Banks towards a closer co-operation in the matter of an international monetary standard and with the establishment of that condition of affairs it might even be possible to envisage an International Bank controlling whatever standard the world ultimately decides upon. My point is this. There is the tendency and here is the opportunity of building in India an organisation which, I am convinced, when those days do come, and they will come soon, will play a very worthy part in the direction of liberating international trade and stabilising international finance.

**U Ba Maung** (Burma: Non-European): Sir, I wish to speak a few words with regard to the amendments made by the Joint Select Committee, but, before I deal with the clauses of the Bill, I would like to say something in favour of a State Bank rather than a Shareholders' Bank. If I have to speak for my country, that is Burma, my arguments are not identical with those of the previous speakers or as contained in the note of dissent by some Joint Select Committee members. With regard to the financial condition of Burma at present, I am not ashamed to inform the House that the people of Burma, I mean the Burmese people, have become the poorest nation in the Indian Empire at the present moment on account of the unprecedented fall in the price of agricultural produce. Moreover, thousands of acres of valuable land have gone into the hands of the money-lenders, such as Chettiyars and other money-lending classes in Burma, and the cultivators are unable to raise at present any money either from Government or from money-lenders on the lands left with them. Therefore, they have no surplus money now, nor can they afford to purchase shares in the Reserve Bank. Further, I can say with certainty that, were a Reserve Bank established, as it proposed in the Bill, the shares allotted to Burma can only be bought up mostly by non-Burmans. Therefore, in my humble opinion, a State Bank is more suitable to the conditions existing in Burma, and I would ask the Government to reconsider the opening of a State Bank instead of a Shareholders' Bank.

I now come to the clauses of the Bill. Sir, the first point I wish to touch upon is the value of the shares and votes. I am grateful to the members of the Joint Select Committee for bringing down the value of each share from Rs. 500 to Rs. 100, but, in the matter of exercising the vote, I prefer that each shareholder should have only one vote irrespective of the number of shares held by him. But, as the Reserve Bank is a national institution,—though constituted on a shareholders basis—and not a commercial or profit-seeking concern, I consider that the application of these principles will be greatly appreciated in Burma and will give the institution a really democratic character.

The next point which I would like to touch upon is the question of exchange ratio. If I have to tell the House frankly, I must say that I am neither an expert nor have I studied the subject fully. But what I have learnt from various sources since I arrived here is that the people are crying for fixing the ratio at 16 pence, whereas in the newspapers, some Associations and Chambers prefer the ratio to be below 16 pence. But I do not like to suggest the fixation of any ratio, as Burma being an agricultural country and not less than 90 per cent. of the Burmese population being agriculturists, we in Burma require a rise in the prices of agricultural produce at the present moment. Sir, it is admitted on all sides that the present ratio has affected the agriculturist more than any other persons, for the price of agricultural produce, such as paddy, which is the main crop of Burma, has fallen on an average by 50 per cent. or more. Therefore, a rise in prices is the most urgently needed thing for the agriculturist and all those who are dependent on agriculture. It is no doubt true that the devaluation of the rupee will be followed by a rise in all kinds of imported goods, thus increasing the general cost of living. A general rise in the prices would not affect the agriculturists adversely, if they could get better prices for the commodities they produce. Therefore, I would ask that the exchange ratio may be fixed in such a manner that there should be a rise in the price of agricultural produce during the depression. Sir, lastly, I wish to emphasise the importance of the establishment of a rural credit department of the Bank, at the same time as the Bank is established

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for the benefit of the agriculturists instead of leaving it to the Bank to report at a later date as provided elsewhere in the Bill. In my opinion, this department will be most beneficial to the agriculturist when the Reserve Bank is in existence, because no credit is available at present to the agriculturist in Burma as stated by me before. Therefore, I hope that every Member will support the proposed amendment to this effect.

Before I resume my seat, I wish to ask the Honourable the Finance Member to enlighten me at the close of the debate as to the interpretation of clause 15, sub-clause (4) where it says:

"On the expiry of each successive period of twelve months after the nomination of Directors under sub-section (3) two Directors shall be elected in the manner provided in section 9 until all the Directors so nominated have been replaced by elected Directors holding office in accordance with section 8. The registers in respect of which the election is to be held shall be selected by lot from among the registers still represented by nominated Directors, and for the purposes of such lot the Madras and Rangoon registers shall be treated as if they comprised one register only."

That is all I have to say.

**Bhai Parma Nand** (Ambala Division: Non-Muhammadan): Sir, it is quite natural for Honourable Members on this side of the House to look upon every measure that emanates from the Government with suspicious eyes. Similarly, when I came to attend this Session of the Assembly, I also looked upon this Reserve Bank Bill with a great deal of prejudice. A few days ago, we had a Party meeting, and I was inclined just to follow the general impression which was expressed in certain quarters about this Bill. But, after going through some of the literature that has been sent to us by certain Chambers from Calcutta and Bombay and after listening to the speeches of the Honourable Members who have taken part in the debate, I feel that I am inclined to take a more impartial view.

One aspect that was considered very important and on which great stress has been laid ever since the time the Bill was introduced in Simla is the constitutional side of it. It was in Simla that we heard a lecture delivered by the editor of a paper from Calcutta on this subject. Thus, I think, the most important point of discussion or of controversy is whether the Bank should be a Shareholders' Bank or a State Bank. I am not very well acquainted with finance and I do not claim to have got any definite knowledge of banking operations, but this simple aspect of the Bill has appealed to me, because I think even as a layman I can form my opinion on this subject. As I said, it is after hearing the debate and after going through some literature about the Bill that I have come to hold the view that has been expressed by my Honourable friend, Mr. James, that this point is not at all material to the Bill and it is neither proper nor reasonable for us to lay much stress on this point, that it should be a State Bank and not a Shareholders' Bank. I can say without fear of contradiction that so far I have met with no reason except some of the arguments that have been advanced by Dr. Ziauddin Ahmad in favour of a State Bank, and I hope my Honourable friend, the Doctor Sahib, would excuse me if I have the courage to say that his arguments have not been in any way convincing. To say that the Bank, if it is a Shareholders' Bank, would fall into the hands of a few capitalists, and that the common taxpayer would suffer by it and that, if it were a State Bank, the people would be relieved of a great burden, are nothing but mere guesses. I do not think any of these things is going to happen. Let us suppose, we convert it into a State

Bank, what will happen? Does my Honourable friend, Dr. Ziauddin, believe that in that case a large majority of the people of India would have any influence or control over this Bank? Even in that case, it will be some experts and only those people who understand banking and who are well versed in that line that shall control the operations of the Bank. It is quite immaterial whether it is a State Bank or a Shareholders' Bank. Again, I cannot understand how the people are going to suffer by a Shareholders' Bank. So far as the provisions of the Bill go, it is definitely declared that the dividend cannot exceed a certain fixed percentage annually. In that case, it is quite clear that the shareholders would be taking no undue advantage from their shares and that the balance of the profits goes to the relief of the taxpayer. Supposing it is not a Shareholders' Bank, what is the alternative left to the State? The State shall have to invest all the capital, and that money must come from somewhere. The Government shall have to sell stocks and, even in that case, the Government must promise a certain amount of interest to those people who buy the stocks. Thus the position of the stockbuyers and the position of the shareholders would be very much the same. In the other case, as it has been proposed in certain amendments which I see on the order paper, Government should take all the capital from the revenue. I do not think it is a feasible and practical proposition. Government have got revenues and they are all allotted to particular purposes. Government thus cannot be expected to have any extra amount of money to invest in this Bank.

On the other hand, in case of a State Bank, the people, as represented by the shareholders, shall lose all interest even in the carrying on of the administration of the Bank. I do not believe that the charge levelled by my Honourable friend, Dr. Ziauddin Ahmad, to the shareholders' representatives, as being *nimboo-nichors* is true. If we can apply this expression for persons who really carry on the administration of this Bank, then we can apply the same epithet to all professional experts in every department, such as the Railway Board, the Engineering Department, the Finance Department, and so on. In all departments, there are only certain persons who control the administration, and because they have intelligence and the ability to control the departments we cannot say that they are *nimboo-nichors* in other words, they are gaining a whole lot while doing no work for the people. Whether it be a State Bank or a Shareholders' Bank, whether it is directly under Government control or under the control of an elected Directorate, you might equally give it a bad name and call it *nimboo-nichors*. It is a well known fact that it is only those persons who understand business can have its control in their hands. Therefore, I do not see any objection to a special class of people who understand banking controlling the banking operations of this Bank. It is impossible to make a bank democratic in the sense that every body will have control over it. Taking this view that this Legislative Assembly shall have control over the Bank, I should like to know from Dr. Ziauddin Ahmad how this Assembly can control the banking operations and how can people who vote for us have more confidence in that Bank simply because this Assembly have got power of interference in that Bank. Speaking for myself, I will not be able to take any interest in the banking affairs and what reasons have my voters to have more confidence in it if this Reserve Bank is placed under the direct control of the State? I see no difference at all between these two conditions.

**Dr. Ziauddin Ahmad:** May I just remind the Honourable Member that the Assembly would not control the Bank just as much as they are not

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governing India, but they can expose the mistakes of the Governor of the Bank, and they will see that it is properly managed.

**Bhai Parma Nand:** I have not quite followed my Honourable friend, because he was addressing the other side. Even if it is a Shareholders' Bank, the Members of the Assembly have got every right to criticise it.

**Dr. Ziauddin Ahmad:** No, no.

**Bhai Parma Nand:** We have the right to criticise.

**Dr. Ziauddin Ahmad:** No, you are signing your death warrant.

**Bhai Parma Nand:** No doubt our Party meeting decided that we should support the State Bank. But, then, after hearing the debate in this House, my view is changed.

I do not see how a State Bank will be better than a Shareholders' Bank. You are so fond of democracy, and if you believe that people should have power in all departments, why do you not allow this power to be handed over to the shareholders who would feel directly interested in the bank and why do you want to transfer all power to the State? Now, the point to consider is, whether this Government will go on as they are. If the Government are going on as they are, you have got no right to entrust everything to this Government; but if you believe that the Government will undergo a change and the administration of the country will come in the hands of the people, then surely the shareholders also are a part of the people and why should you object to letting this power of control come into the hands of the shareholders? Of course there can be an objection that the shareholders will be only a limited number. To meet this objection, it can be said that although you call yourselves the representatives of the people, it is only a very limited number of people who voted for you and thus you represent the votes only of a small class. Similarly, if say, only 50 thousand or a lakh have got shares and are interested in the management of this institution, I do not see why we should not call it a democratic institution, based on a democratic basis. The main point is only the nature of the electorate. In one case you have an electorate that will be controlled by the State and in the other case the shareholders form the electorate for the Directors.

It may be said that the people in general would have very little interest. But, similarly, it can be said, what interest have those people in the Assembly who have not got voting qualification and why should you deprive them of voting in your case on the ground that they have not got certain qualifications? Similarly, I think that some sort of qualification is needed for those people who take an interest in the administration of a bank. They must invest a certain amount in the purchase of shares. I do not see any good in entrusting the administration of a bank to people who are not able to invest, say, even a hundred rupees in it. As I said before, the question is simply of the electorate and I would prefer that this electorate should consist of those people who have the capacity to buy certain shares in the Bank. In that case, I think, the basis of that institution would be more democratic than it would be if the Bank is placed in the control of the State. Our position is simply this. If the Finance Member had brought forth a State Bank scheme, all of us would have shouted for a Shareholders' Bank. (Laughter.)

Now, my Honourable friend, Mr. Das, is talking very highly of the old Bill and confesses that really a great mistake was committed in those days by people who were proud to have defeated Government and got the old Bill rejected. So, I say, that we should not look upon this measure with suspicion, merely because it comes from the Government, but consider it on its merits. Dr. Ziauddin's remark was rather a hard reflection on certain classes, because they could buy shares and take an active interest in the administration of the Bank. Dr. Ziauddin's arguments had failed to convince me of the necessity or even preference of a State Bank. My friend from Burma says that it should be a State Bank, because the Burmese are poor and they cannot buy shares. The argument simply amounts to this that all poor men should advocate for a State Bank and oppose a Shareholders' Bank, because there are others who are in a position to buy shares. It would be a sentiment of jealousy for his own brothers that would prompt him to say that they should not have any control over the Bank, because he is unable to buy some shares. I do not want to discuss other technical points of this Bill and I leave them to the Honourable Members who understand them better than myself. I have expressed my view on this constitutional aspect of the Bill on which, I think, I had my right to talk.

**Diwan Bahadur A. Ramaswami Mudaliar** (Madras City: Non-Muhammedan Urban): Mr. President, I wish at the very outset to say that the Reserve Bank Bill which is now before the House is in my opinion the most important piece of legislation that has ever come up before this Legislative Assembly. It is important in more than one respect. It is important, because many of us have felt during the last 10 or 12 years that the functions of Government as manager of the currency have not been properly discharged and that, if they were to be discharged to the satisfaction of the country and in the interests of trade and commerce, they could only be done by a neutral institution which is not subject—may I say—to "political influences". I remember, Sir, in one of the Budget speeches I said that I hoped that a Reserve Bank would come into existence in a very short time, because that and that alone would remove the inevitable suspicion that has attached itself to every Finance Member of Government that there was some deep-laid plot, that some machinations were going on, so that the currency was managed in a particular way to suit the budgetary requirements of Government rather than the demands of trade and commerce. There is another point of view, Mr. President, from which I should welcome the passage of this Reserve Bank Bill. Reference has already been made to the fact that the passage of the Reserve Bank Bill and the establishment of a Reserve Bank is essential to the political progress of the country. At the very first Session of the Round Table Conference, it was made clear how close a connection existed between the establishment of a proper Reserve Bank, free from all political influences, and the conferment of financial responsibility under the new Constitution on this country. There are those who criticise the new Constitution; there are those who hold up to ridicule the possibility of this country getting any political advance at all through the new Constitution; there are those who have ridiculed such of the Indians as have partaken in any of those Round Table Conferences. With that part of the controversy I am not concerned at present; but I am concerned with the fact that this measure will mark an effort on the part of this Assembly at any rate to do what it can to expedite the date when self-government

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will be an assured fact for this country. That date may be long, very long; some of us are not able to have even a Pisgah sight of the date when we shall have that self-government which will satisfy Indian public opinion in this country. But we in this House, by the passage of a measure of this importance, would have done something at least as far as it lies in our power to make it possible for the establishment of full responsible government and that financial responsibility without which no self-government is possible in any country in this world. I am therefore glad that we have taken this step at the present moment, if it is not already belated, and that we have resolved on the establishment of a Reserve Bank. But partial as I may be to Round Table Conferences and their decisions, obsessed as I may be by the fact that some kind of Constitution is coming to the country which will give us far larger powers than we have at present, optimistic as I may still be in spite of all the agitation that has been carried on in England by the diehards and the diehard section of politicians against the conferment of any decent amount of responsibility on this country, I would still have no hesitation in rejecting this Bill if I were convinced that its provisions were of so onerous a kind that it would do greater harm to the country than good—I would not care for the responsibility we might get under the new Constitution if any Member of this House were to convince me that the provisions of this Bill were of so restrictive a nature, that they were of such an onerous kind that the passage of this Bill would be putting a mill-stone round the neck of the Indian agriculturist, Indian trader and the Indian banker and that, irrespective of consequences, we should be well advised in rejecting this Bill. . . .

**Mr. Lalchand Navalrai** (Sind : Non-Muhammadan Rural): But you have sent in many amendments here!

**Diwan Bahadur A. Ramaswami Mudaliar:** I should, therefore, like to examine the main and major criticisms that have been advanced against this measure and to try and satisfy myself, even if I do not have the good fortune of satisfying my colleagues on this side of the House, that there is not much in those objections. Let me take the major issue that has been raised. The one issue that has dominated the controversy with reference to the Reserve Bank, both in the year 1927 and under the present scheme is the issue whether it should be a State Bank or a Shareholders' Bank. Now, in approaching this issue, we have to clear our minds of fundamental ideas with reference to phrases. What do we mean by a Shareholders' Bank, and what even more do we mean exactly by a State Bank? If by a State Bank is meant that the entire operations of the Bank should be in the hands of the State, that the discount policy should be in the hands of the State, that the control of the reserves should be in the hands of the State, that the note issue should be in the hands of the State, that the balances of the various commercial banks should be in the hands of the State, then I can understand that as a State Bank. But, does any Honourable Member suggest that that is what is intended or meant by a State Bank? Does any Honourable Member suggest that a State Bank merely means an appendage to the State Departments, that it should be one of the Departments of the Government of India, to work this very complicated machinery by which trade and commerce is financed,

by which the note issue is regulated and by which the volume of internal and external trade is regulated? I have listened very patiently during the last two days to speeches made by every Member of this House: I have sat through all the long weary hours of the debate and I have tried to understand what is meant exactly by a State Bank. None of the Honourable Members, who are champions of the idea, have so far explained the meaning of a State Bank; and, as they used the word, various interruptions here and there gave me the cue to what was exactly working in their minds. One Honourable Member suggested that, if it was a Shareholders' Bank, this House would have no control or powers of criticism, that there would be no opportunity whereby this House could time and again interpellate or move Resolutions and take the Bank's activities into consideration, and interfere, may I say, in the day to day transactions of the Bank. I venture to think that under no constitution of any central bank in the whole world, except perhaps one, to which I shall refer later, has this idea been ever approved. What is meant by a State Bank is entirely different from the idea that is entertained in the minds of many Honourable Members. The position is simply this: in a State Bank the capital is found by the State; in a Shareholders' Bank the capital is subscribed by the shareholders; but, apart from that, both in State Banks and in Shareholders' Banks I lay it down as a proposition which is not capable of very serious dispute, that the influence of the executive and the influence of the Legislature is kept out of the compass of the activities of both kinds of these banks. If that is realised, then I think there will be very little difficulty in understanding what is meant by a State Bank and what is meant by a Shareholders' Bank; and people will be able to appreciate more clearly why some of us think that a Shareholders' Bank is better than a State Bank. I entirely agree with the statement made by my respected friend, Bhai Parma Nand, whose constructive criticism I welcome on the floor of the House and whose honest change of opinion is a subject on which we may well congratulate him: we are all subject to discipline of parties and I should deprecate any loosening of party ties, because that is the only way how an opposition could function, but I think parties must give room for honest differences of opinion . . . .

**Mr. Amar Nath Dutt** (Burdwan Division: Non-Muhammadan Rural): May I intervene and point out that there was no Party decision on this matter? There was only an informal meeting of four members of the Party.

**Diwan Bahadur A. Ramaswami Mudaliar:** I am averse to having a peep into the domestic amenities of the Nationalist Party. As I was saying, I entirely approve of what my Honourable friend, Bhai Parma Nand, has said that in a Shareholders' Bank there is a greater amount of democratic control than can possibly exist in a State Bank; and I am prepared to prove it: The minority of this report have very strongly indicated their preference for a State Bank as against a Shareholders' Bank. I have already said that the question is really not whether the control will be greater by this Legislature or by the executive, because it is a State Bank. The question is really one whether the capital is provided by the State or by the Shareholders. You are aware of the controversy that raged over this question in 1927. It is perfectly true that Sir Basil Blackett was prepared to support the idea of a State Bank; but let us take the whole proposition together: the question of State Bank or Shareholders'

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Bank is intimately connected, as you know, with the question of the management of the Bank, with the question of the constitution of the Directorate, and all that Sir Basil Blackett said from his place as Chancellor of the Exchequer of the Indian Government was that he was prepared to accept the position that there should be a State Bank provided a satisfactory arrangement could be arrived at regarding the board of management, regarding the method by which Directors can be chosen; if that could be assured, if Directors could be chosen who would not be subject to political influence or who would not control the Bank from political motives, then he was prepared to accept a State Bank. It is very different to take it away from the context and to suggest that Sir Basil Blackett was in favour of a State Bank and, therefore, it is understandable why Sir George Schuster should be so wholeheartedly in favour of a Shareholders Bank. Now, if the question of a State Bank is irrevocably and inextricably connected with the question of how the Directorate is formed and how the board of management is formed, then the position becomes much clearer. Let me take the minority report. Reference has been made to the Central Banking Inquiry Committee's report, and it was suggested that that Committee unanimously recommended a State Bank in preference to a Shareholders' Bank. I venture to submit with great diffidence that that is misreading the report of the Central Banking Inquiry Committee. May I read a sentence from that report to convince Honourable Members that this issue was not before the Committee, that it was specifically ruled out by the President of that Committee and that, therefore, there was no discussion at all on the question whether the Bank should be a State Bank or a Shareholders Bank; and, what is more important, they recognise, as I have tried to explain, that the question of the composition of the Directorate was inextricably connected with this question, and the President again ruled out any discussion as regards the composition of the Directorate. If the members of that Committee had tackled these two questions together, if they had taken into consideration not merely the question whether the State should find the capital, but also the question as to how the Directorate should be nominated or should be formed for the functioning of this Bank, then I venture to think that members of the Committee individually would have broken against the very rock on which this issue broke when the Reserve Bank Bill of 1927 was brought before this Assembly by Sir Basil Blackett:

"In view of various considerations mentioned above",  
says the Committee's report:

"it was ruled by our Chairman that it was for the framers of the constitution to decide what steps should be taken to ensure the conditions envisaged that the Bank should be on a sure foundation and free from any political influence; and he ruled out of discussion"

—and this is the passage to which I want very respectfully to draw the attention of the House—

"by our committee questions bearing on that point, namely, whether the Bank should be a State Bank or a Shareholders Bank and what should be the composition of its Directors."

Now, Sir, when these two things are ruled out of discussion, I ask any Honourable Member of this House to tell me what support he can derive from the Report of the Central Banking Inquiry Committee, unanimous though it would be on this point as regards the question now at issue whether the Bank should be a State Bank or a Shareholders' Bank and what the nature of the Directorate should be which will manage this Bank . . . .

**Dr. Ziauddin Ahmad:** May I ask the Honourable Member, Sir, to read the passage further from that paragraph where they say: "We unanimously agree"; will he be good enough to read it out? Because it is misleading the House if you quote only part of a passage and leave out the rest of it where it is clearly stated:

"We unanimously agree to proceed on the following assumption:—The Reserve Bank will be established by an Act of the Legislature, the Bank would be under Indian control. . . ."

**Diwan Bahadur A. Ramaswami Mudaliar:** Sir, it is an irony of fate that a colleague of mine and a respected member of my Party should raise this point and should be cheered by Members who are not members of my Party . . . .

**An Honourable Member:** Why stick to members of your Party. We are all Members of the Legislature.

**The Honourable Sir George Schuster:** May I just re-inforce what my friend, Diwan Bahadur Mudaliar, said. The Central Banking Inquiry Committee was not set up to consider this question at all as to what the form of the Central Bank or Reserve Bank should be and for my friend, Dr. Ziauddin Ahmad, to quote a passage where they agree to proceed on certain assumptions as implying that they made certain unanimous recommendations is, I must point out to the House, entirely misleading.

**Diwan Bahadur A. Ramaswami Mudaliar:** If my friend, Dr. Ziauddin Ahmad, had only waited for a little while with some patience, he would have seen that I would have read the following passage,—in fact I am going to rely on it; I will build up my argument on the next passage, and I was not going to rely so much on the passage I have just read. It was only to refute the claim made by certain Members of this House that the members of the Banking Inquiry Committee unanimously supported a Shareholders' Bank that I read out that passage. I am not going to leave out a single sentence or a single extract which will be of any use for the consideration of this very vital question by any Member of this House, and, if I do it, it will be by sheer inadvertence and not by design.

Now, Sir, the very next sentence that my friend read out says this. The Banking Inquiry Committee made some assumptions. That does not mean that they were the decisions of the Committee, that does not mean that they were the opinions of the Committee. But let us look into the assumptions themselves:

"The capital of the Bank would be provided by the State."

As I said, that does not make it a State Bank.

Now, read the next assumption:

"The Bank should be under Indian control."

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Nobody is going to dispute it. I am going to come to that subject a little later in my argument. Then read the next assumption, and this, my friend has not yet read to the House:

"The Bank would be free from interference from the executive or legislative, Indian or British, in its day to day administration."

My friend, in reply to Bhai Parma Nand, said that by some mysterious mystical process if it were a State Bank this House would have control over the administration of the Bank, it could ask questions, it could take the Bank's Directors to task from time to time, but that, if it were a Shareholders' Bank all these great vast powers given to the elected Members of this Legislature would disappear and the 365 millions of agriculturists and non-agriculturists would have no voice. I ask my friend to note this assumption:

"The Bank would be free from executive control or from legislative control."

Does that mean that a State Bank gives greater rights than a Shareholders' Bank? There are some fundamental assumptions which have to be made in connection with the consideration of any Statute regulating a Central Bank, and the Banking Inquiry Committee unanimously, composed as it was of business men and banking experts and others,—and you, Sir, were a very honoured member of that Committee,—and very rightly, came to the conclusion that that was the sort of political influence which was deprecated all over the world, that was the sort of political influence which could not be used in the administration of a Central Bank. The minority has not taken note of this fundamental basis for the formation of a Reserve Bank. If that assumption alone is to hold good and not the others, then, I ask, what is the foundation for the great argument that has been built up in favour of a State Bank? If the executive and the legislature cannot have any voice in this matter, if the Bank is to be free from interference in the management of its day to day affairs, whether it be from the executive or from the legislature, I ask Honourable Members, who accept that assumption, the unanimous assumption of the Central Banking Inquiry Committee, how they are going to get greater control over a State Bank than under a Shareholders' Bank? Sir, I propose to prove that they will have on the contrary less control over a State Bank than they will have under a Shareholders' Bank. I say that it is under a Shareholders' Bank that democracy will be satisfied, and that under a State Bank democracy will not be satisfied, because there you will have a certain set of Directors who will be uncontrolled from above and unhampered by criticism from below, men who will satisfy, to quote the elegant phrase of my Honourable friend,—I shall not use it myself,—men who will satisfy that description more than the Directors elected by responsible shareholders.

Now, Sir, let us see the reactions of the Minority Report with reference to the principle, I say the absolute principle, that has been laid down in the third assumption of the Central Banking Inquiry Committee, that whatever Bank is established, whether the capital is given by the State or not, the Bank should be free, in its day to day administration, from interference by the executive or the Legislature. Sir, I have very great respect for my friends of the Minority Report and particularly for my friend, Mr. Vidya Sagar Pandya, whose knowledge of the commercial and

banking world I cannot emulate even if I studied the subject for the next 20 years,—my friends of the Minority Report say that they laid down five definite arguments in favour of a State Bank. I will refer to arguments Nos. 2 and 5:

"The State Bank will always command greater confidence in a country like India than a Shareholders' Bank."

I suggest, Sir, that that is begging the question. Unless you are able to show what the nature of the management of that Bank is and how that will give greater confidence to the country than a Shareholders' Bank, I suggest that it is no argument at all. Supposing you put forward the suggestion that was put forward on the last occasion that various Directors should be elected by the Central Legislature and the Provincial Legislatures from amongst their Members, that there should be a certain number elected by the Federated Chambers and the Associated Chamber of Commerce, and so on, is it suggested that the country will have greater confidence in a Bank composed as is suggested than in a Bank whose Directors are elected by the shareholders?

An Honourable Member: Why not?

**Diwan Bahadur A. Ramaswami Mudaliar:** Always remembering that once the Members are elected, they are like loose kites flying without any strings attached to them, uncontrolled and uncontrollable, having no responsibility to this House, not being able to be criticised for the day to day administration of their affairs by this House, by this House, by the executive, either by Resolutions or by interpellations or by any other means. Therefore, Sir, I venture to think that that does not carry us further.

Now, let us look at the fifth argument which clearly shows what was in their mind:

"In the case of a private bank, there will be no machinery to demand and enforce larger recruitment of Indians in the offices in subordinate grades; it is only in the case of a State Bank that Indianisation, as a policy, can be effectively enforced, as is evident from the experience of the railway administration."

Now, Sir, how is this very desirable object to be achieved? *A fortiori* by hypothesis you say you shall not interfere in the administration once the Managing Directors have been elected by this House. Then what control can this House have over the question of Indianisation once these Directors are elected? What control can I have over the two representatives represented from the Associated Chambers of Commerce? What control can I have even over the Indianised Indians who will be the representatives of the Federated Chambers of Commerce of India? I ask, again, if this is the idea you have in view, do not vote for a Reserve Bank, ask the Government to carry on its operations as at present. Then you can ask, how many Indians have been employed in the currency offices, then you can ask, why a certain Indian was not appointed as a Currency Officer in a certain office, why a European officer was appointed in a certain place and not an Indian. You can in this way ask a number of questions. But if you once say that a Reserve Bank should be created, if you once concede that a Reserve Bank should come into existence, that it should be free from the control of this Legislature, then, I say, it follows as the day the night that you cannot have any control over the question of

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Indianisation or any allied subject whatsoever. Now, Sir, what is the experience of other countries? Australia and Sweden have been cited in the Minute of Dissent of my colleagues of the Joint Committee. I will come to the case of Australia and Sweden, but I venture to state with some confidence that the opinion of the majority of the national countries all over the world has been in favour of a Shareholders' Bank, that particularly after the War Reserve Banks have been established in various countries and the principle has been accepted that a Sharholders' Bank is the best in those countries.

**An Honourable Member:** Are the conditions the same in India?

**Diwan Bahadur A. Ramaswami Mudaliar:** I see some Members are inclined to doubt my statement. I would like to give them a list of the Reserve Banks in various countries and show them what are the countries that have Shareholders' Banks and what are the countries that have State Banks in the limited sense in which I have used the word, namely, State Banks whose capital is supplied by the State. In Austria, the Reserve Bank has been established, thanks largely to the intervention of the League of Nations, since the War, which is a Shareholders' Bank. The Belgium Bank is a Shareholders' Bank. The Bank of Czecho-Slovakia, a bank again which has been established since the War, is a Shareholders' Bank. Denmark, Estonia, France, England, Germany, Greece, Hungary, Italy, Japan, Lithuania, the Netherlands, Poland, Portugal, Roumania, South Africa, Switzerland, the United States, and Peru in all these countries you will find that it is a Shareholders' Bank that has been established as a Reserve Bank. I have literally surveyed from China to Peru, and you will find that there are a number of Legislatures which have considered that the highest wisdom with reference to this particular phase of monetary policy consists in the establishment of a Reserve Bank based on a shareholders' basis.

Let me now come to those few countries where the State Bank in the loose sense in which I have used the word—State Bank where the capital is supplied by the State—is established. I have tried to do research work as much as possible in this connection, and I think every Member of this House should be thankful for at least one author who has placed us in a position to do so, I mean Sir Cecil Kisch. The name of Sir Cecil Kisch has been mentioned in many connections in the House, but I think even in 1927 when the Blackett Bill was under discussion the information at the disposal of the Members would have been much greater if only a book like Kisch and Elkin's "Central Banks" had been then in existence.

**Mr. Vidya Sagar Pandya** (Madras: Indian Commerce): It was. The first edition appeared in 1928.

**Diwan Bahadur A. Ramaswami Mudaliar:** When the Bill was under discussion? A great amount of pains had to be taken by individual Members of the House in hunting up the Reserve Bank Statutes. The Library of the House—well, I do not want to make any reflections about it, but I do not think it is all that is desired or desirable, and I remember one passage a very telling passage from the speech of Pandit Madan Mohan Malaviya where he complained of the amount of trouble that had to be taken

by himself and other Members of the House in trying to acquaint themselves with the constitution of some of these Reserve Banks. I, therefore, have great pleasure in acknowledging an indebtedness to the learned authors.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member can resume his speech after Lunch.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

**Diwan Bahadur A. Ramaswami Mudaliar:** Mr. President, when the House rose, I was trying to point out that the experience of most countries of the world has proved the desirability of establishing Reserve Banks on the basis of a Shareholders' Bank and not a Bank whose capital was found by the State. The Minority Report refers to two countries specifically and derives its argument based on the experience of those two countries. They are Australia and Sweden. One common caution which has been addressed to students of the constitution of Reserve Banks and which I should like to repeat is this, that beyond the constitution the functioning of the Reserve Bank may vary, that the constitution should not be literally interpreted and that practices grow up in the banking world which perhaps have no relation to the exact textual wording of the constitution and that Reserve Bank Statutes have to be interpreted so far as their functioning and actual day to day practice is concerned by the habits that have grown up, by the traditions that have been established, rather than by the bare letter of the Statute. With that caution, I should like to invite the attention of the House to the actual position with reference to Australia and try to see how far the Australian Bank is a State Bank. As I said, the capital of the Bank has been provided by the State. Students of the history of the development of the Commonwealth Bank of Australia know that it was established in 1911, that during the period of the War it did great service to the State in helping it to float various war loans, that it built up a large reserve, and when the question of converting it into a Reserve Bank was taken up in 1924, it was found that the reserves were so far grown up that very little more from the State was necessary to add to the capital of the Bank. Four millions of pounds were in reserve and the State contributed six millions more and established it on the basis of a capital of ten millions.

Now, as I have been repeatedly trying to urge on this House, the real issue is the question of the management of the Bank. Let us see how the management has been arranged. In Australia, the Governor, the Deputy Governor and the Directors are all appointed by the Governor General for a period of seven years and are eligible for reappointment. The Governor General there, of course, means the Governor General acting on the advice of the Ministry of the day. I do not want to make any secret of that. You cannot, therefore, infer from the phrase Governor General that it is an absolute discretion on the part of the Governor General of Australia to

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nominate any person he likes. It is the Ministry of the day that appoints the Directors and the Managing Governors and the Deputy Governors. Having appointed them, what happens? The policy of the Bank is handed over exclusively to the Board which has also complete authority over the note issue, subject only to exceptional powers being vested in the Government to intervene in cases of crisis. That is the extent to which authority has been retained by the State and, if Honourable Members will turn to the Bill and to section 30 of it, they will find a similar provision embodied in the measure now under consideration by the House:

"If, in the opinion of the Governor General in Council, the Bank fails to carry out any of the obligations imposed on it by or under this Act, he may, by notification in the Gazette of India, declare the Central Board to be superseded, and thereafter the general superintendence and direction of the affairs of the Bank shall be entrusted to such agency as the Governor General in Council may determine, and such agency may exercise the powers and do all acts and things which may be exercised or done by the Central Board under this Act."

To that extent, therefore, there does not seem to be any difference between the power of the State to intervene in the State Bank in Australia and the power of the State to intervene in a Shareholders Bank, under the proposed measure so far as India is concerned. Let us see what further relations there are between the Australian Commonwealth Bank, the Reserve Bank of Australia and the State. The inspection and audit half yearly by the Auditor General of the Commonwealth is made compulsory. Taking the analogous provision under this Act, Honourable Members will find that under section 51 there is an option on the part of the Government to have an inspection and audit by the Auditor General of India. I do not know whether my friends, who want greater State control, would propose that this optional audit of the Auditor General under section 51 should be made compulsory. If so, I shall be with them and support such a proposal, but I do not think it is absolutely necessary and the audit, provided for under this Act with the exceptional power at rare intervals to intervene on behalf of the Governor General in Council through the Auditor General, should prove sufficient for all practical purposes. The next provision that deals with the relation of the State is that the regulations made by the Board should be subject to the approval of the Treasurer, the Treasurer being one of the members nominated to the Board of the Government of Australia, a State official, probably the Financial Secretary. Now, if Honourable Members turn to section 57 of the Bill, they will find that equally rigorous provisions have been applied in this measure:

"The Central Board may, with the previous sanction of the Governor General in Council, make regulations consistent with this Act to provide for all matters for which provision is necessary or convenient for the purpose of giving effect to the provisions of this Act",

and lastly the State is authorised to give loans to the Treasury as the Reserve Bank is authorised to do under this Bill, and finally the liability of the State for all debts of the Bank is established by the Act. Therefore, with reference to the State Bank in Australia, there are no more restrictive or coercive provisions which relate the State to the Bank than there are in this Bill. The State has not got a larger amount of control over the Australian Bank even though State funds have gone to build up the capital than they are under the present Reserve Bank. I have said that the other countries which have State Banks in the restrictive term of the word are Finland, Latvia, Norway and Sweden. I shall leave the two very small States of Finland and Latvia. If Honourable Members want details,

they can have them, but I do not think it really affects the purpose of my argument. In one of the States, the Diet is given the power to elect a certain number of Directors. In the other, the State is asked to nominate the Directors, but in neither of them has the State got any more control over these banks than have been provided for in respect of the Australian Act. The Norges of Norway is a private joint stock bank. It is not a State Bank. It is really more or less akin to a Shareholders Bank, but the State has got more control in that than in any State Bank and, therefore, I should like very briefly to refer to the provisions of this Bank, the Reserve Bank of Norway. The management is in the hands of a board of representatives, the detailed day to day administration being carried on by a Board of Directors. The Board of representatives consists of 15 members and the Board of Directors consists of five members. The President and Vice-President are both appointed by the Crown apparently on the advice of the Norwegian Ministry and the 13 representatives and the three Directors are elected by the Storthing, the Parliament of Norway. Now, that is one of the few banks where the Legislature has got a direct voice in choosing the Directors. It may sometimes be said that the Bank is controlled by the Government, but the only substantial power in excess of what is usually granted under the charters of the Banks to any State Bank is that the books and securities are liable to be inspected by the delegates of the Storthing. I do not know whether any representatives of this House would like to have the power of inspecting the books and liabilities of the Reserve Bank of India and, if so, which of them would be willing to come forward to undertake the all too onerous duties of inspecting the books and liabilities.

Let me next deal with the Riksbank on which reliance has been placed a great deal, the Bank of Sweden. The Riksbank is a State institution, the activities of which are carried on by the Treasury, but the Bank is not administered by the executive Government. It is placed under the direct supervision of the Parliament of the State, the Riksdag. The widest power is given to Parliament with reference to this one country in its relation to the Central Bank. Executive control, again, is removed. It is provided that the executive Government shall not have any control over the Riksbank. It is further provided that the Directors of the Riksbank shall not be members of the executive Government. It is controlled purely by the Parliament of Sweden—the Riksdag—and it is controlled further by a Parliamentary Banking Committee elected by the Houses of Parliament in Sweden. It is governed by seven Directors, the Chairman being nominated by the Government, the six other Directors being elected by Parliament. The Ministers are ineligible for election. The Directors may not receive instructions—and this is a specific provision—from the administration, but can only receive instructions from the Parliament or the Parliamentary Banking Committee. It is noticeable—and I should like to emphasise it—that even in this most advanced system, most advanced from the point of view of those who press for control by the State, this feature is emphasised. How far the Parliamentary Committee is able to exercise any sort of control over the work of the Directors is a matter on which there is very little information so far as I have been able to gather, but I do not think it can be seriously suggested that this House or its successors should appoint a Committee to take up the question of controlling the management of the Reserve Bank of the future, that the executive Government should have nothing to do with it, but that the Legislature should have a Committee of its own to supervise it. That is the extent to which those, who are in favour of a State Bank, can really go with regard to the control which the State can exercise over the Reserve Bank.

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One of the countries whose example I have not cited and whose example has not been cited by the minority members—I do not know why they fought shy of it if they did fight shy of it—is that of Soviet Russia. Soviet Russia has a State Reserve Bank, it is perfectly true, but if Honourable Members will study the system of connection between the State and that Bank, and the conditions under which it functions, then they will realize that it is only in that country that the Bank can exist in such form and under such control. In understanding the functions of the Reserve Bank of Soviet Russia, one must necessarily take into consideration the entire economic structure of the Soviet Union and the policy on which the functioning of that economic structure is based. The policy of the State Bank, as the central institution of credit in that country, is determined primarily by the general principles of the Soviet Government's economic policy. The activities of the Bank are, therefore, directed to supplying mainly credit, not to commercial banks, not to indigenous institutions owned by private bodies, but mainly, I might say almost entirely, to State industries, State trade, State transport, State co-operative efforts and to other institutions of the State. The main portion of the clientele of the State Bank, therefore, consists of State concerns, Metal works, sugar and beet factories, tanneries, cotton mills, textile mills and railways, all owned by the State and not by any private individual or company or managed by managing agents. (Hear, hear.) The composition of the Bank's borrowers is, therefore, determined by the general conditions of the economy of the Soviet Union. Their discount policy is radically different from the discount policy which is necessarily pursued by any Reserve Bank which normally functions on behalf of privately-owned trade and commerce of the country. Where the State holds the position of monopoly, owns big industries, regulates the prices of its own manufacture, holds the position of monopoly with regard to foreign trade, the discount trade of the Central Bank cannot aspire to the role of a regulator of the supply and demand of loan capital. The discount trade is neither an index of the supply and demand of loan funds, nor is it even the regulator of such supply. All credit is planned by the State, all loans are planned by the State. Sir, I do not know whether such conditions can be created in this country. I do not know whether Honourable Members of this House would like to have these conditions copied in this country. I am not suggesting that they are such fearful conditions that we should not copy them. On the other hand, a cursory perusal of the conditions, under which the State functions there, makes an appeal to me and I am really attracted by the manner in which the whole economy of the State in Russia is conducted. If such conditions were to prevail here, we might have at least one feature in this country, namely, that the Modis and Khaitsans would cease to trouble, and the Bhores and Schusters might be at rest.

**Mr. F. E. James:** There will be no Bhores or Schusters.

**Diwan Bahadur A. Ramaswami Mudaliar:** The wicked will not continue to have conferences, fights, resignations and withdrawals of resignations.

**Mr. F. E. James:** There will not be a Ramaswami either.

**Mr. Lalchand Navalrai:** What about those who withdraw their resignations?

**Diwan Bahadur A. Ramaswami Mudaliar:** They will find a seat in the Karachi Municipality. (Laughter.)

Now, Sir, I was, therefore, humbly appealing to Honourable Members to consider whether the insistence on a State Bank serves any of the purposes that they have in view. If they want to impose a more rigid control over the State Bank, and if they want to give more powers to the State in any direction, they have to prove what powers can really be given to the State, and if they make proposals to that end, I think this House might consider them fairly, and sympathetically if possible, but to make this as an issue that the State should have a greater degree of control, if there is to be State control; is, I venture to submit very strongly, to throw a red herring across the path. Sir, I have been at pains to elaborate this point on account of the mass of literature which has appeared in the press. It has been made to appear that the entire national attitude is in favour of a State as against a Shareholders' Bank. It has been suggested that anybody who votes in favour of a Shareholders' Bank does not do justice either to himself or to his country. Sir, whether I have kept my conscience at Whitehall or whether I am willing to sell my conscience for a mess of pottage or I am one of those who are willing to hand over the fortunes of a country for nothing at all, it is for others to judge. I shall not place myself in any particular category, but if Honourable Members wish to put me in any of these three categories, they are welcome to do it. I stand here unrepentant, and I venture to say that, in the best interests of this country, a Shareholders' Bank is the only scheme which can be worked satisfactorily, and taking into consideration all the interests, involved in this country (Hear, hear) . . . .

**Mr. B. Das** (Orissa Division: Non-Muhammadan): The applause comes from the other side.

**Diwan Bahadur A. Ramaswami Mudaliar:** I do not care where the applause comes from, so long as they come from those who understand the position and understand what I have to say. (Loud Applause from the Official Benches.)

Now, Sir, in some constitutions it is perfectly true that further powers have been given to the State. One of the provisions which will be found by Honourable Members is that the nominee of the Government on the Board—and we are going to have a nominee without the power of the vote—has got a suspensory power with reference to the decisions of the Board. He can suspend it, so that it may be reviewed and considered by the Government. Apart from the fact that he acts as a liaison officer and a very essential liaison officer between the Reserve Bank and the Government, he occasionally, under some constitutions, exercises the power of suspending the decision of the Board for a temporary period. Is that one of the conditions which will satisfy those who want a State Bank or want more control? I do not think it can be seriously questioned.

Now, Sir, a great deal has been said about the political influence. It has been freely asserted that while the political influence of one set of people is removed, the political influence of another set of people is substituted. Let us take the question from the point of view of the constitution of the Directorate and examine whether that is a fact. Whatever political influence is to be used can only be used in the constitution under this Bill through the Directorate. I have already explained the

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**Mr. B. Das:** Mr. Mody is getting impatient.

**Diwan Bahadur A. Ramaswami Mudaliar:** I can only say that in the Select Committee that power of nomination has been accepted and there has been no complaint and no minute of dissent with reference to that. As I was saying, if Directors are merely nominated, there is no control over their activities. The executive cannot control them and the Legislature is equally unable to control them. Therefore, these Directors will function unhampered by all restrictions and without any sort of control from anybody. If that essential fact is borne in mind, then will be realised the importance . . . (Mr. K. C. Neogy: "Fact or assumption!") It is a fact if the fundamental basis of the Reserve Bank is accepted. I have been trying to point out for the last one hour that whatever elections take place from the Legislature, once they are made, the Legislature cannot have any control over them. Unless, of course, you resort to the method of the Swedish Bank, neither can the executive have any control. It is against the principle laid down by repeated Committees. It is against the principle, for instance, which has been laid down at the Genoa Conference in 1922 where, soon after the War, the banking experts of various countries met together at an International Conference and laid down the fundamental doctrine that in a Central Bank constitution there

should be no political influence, either from the executive or the Legislature. Therefore, I assert, as a proposition capable of not being disputed, that where Directors are nominated in a State Bank, whether by the executive or by the Legislature, those Directors function *in vacuo*, if I may say so. They have no responsibility; they are answerable to no one; and I want to remind those Honourable Members who may be inclined to support a State Bank, because of its alluring prospects that these prospects with reference to the control by the Legislature are absolutely nil.

Now, let us look at the position of the Shareholders Bank. Very hard things have been said about it. I would not have minded it if it was a general proposition. But when hard things are said about Indian shareholders as such, I can only regret the fact that both in the Minority Report of the Joint Select Committee and on the floor of this House grave aspersions have been made on Indian shareholders as such. They are a class who do not deserve such aspersions. Those who have followed the activities of the Indian shareholders know that they are as patriotic and as vigilant and actuated by as genuine motives as any set of members including the Honourable Members of this Honourable House. And I venture to protest very mildly, but very emphatically, against the aspersions that have been made; they were the most unworthy aspersions against the whole class of people. Many of us may be under that class and may be called the Indian shareholders. Those who have seen the functioning of these institutions, whether banks or other concerns, managed by Indian shareholders, will not be able to substantiate the statement that the Indians are such a bad lot that they do not know how to take care of themselves. The analogy of the Imperial Bank of India has very often been mentioned in connection with this question. I venture to state that there is no analogy that can be drawn from the position of affairs with reference to the Imperial Bank and the position of affairs that may arise with reference to the Indian Reserve Bank. Is it our experience, apart from the Imperial Bank, of other indigenous banks that are functioning in this country that shareholders have no voice and that Directors cannot be elected according to the will of the shareholders, and that shareholders do not attend, and take no interest in the matter and leave it to the backdoor influence, if I may use that phrase, and that the existing Directors shove in all their nominees as Directors? Is that the experience of the Indian banks in Madras? Is it the experience of the Central Bank of India? Sir, if it is an experience at all, it is a limited experience, and for this reason, that the guarantees that we have provided in this Bill and the safeguards that have been assured for the shareholders are naturally absent both from the Imperial Bank of India constitution and from the memorandum of association and the articles of association of various indigenous banks. We have a provision that no man can have more than ten votes whereas the Imperial Bank Act allows a man to have as many votes as he likes. The evil comes in where an unrestricted accumulation of shares and an unrestricted voting power bring about a situation and where the view of the ordinary shareholders does not count and, therefore, they do not take the trouble of attending either personally or by proxy. What is the use of bringing forward the analogy of the

3 P.M. Imperial Bank when that analogy is wholly fallacious and it has no application at all to the circumstances in which the Reserve Bank is to be constituted. I am glad, the Joint Select Committee has improved on the position that the small investors can have

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shares though the capital is limited and no man can have more than ten votes. In the London Committee, provision was made for Rs. 500 as the minimum value of a share against the wishes of those who wanted Rs. 100. I now pay my humble meed of tribute to the Joint Select Committee that they have been able further to reduce it to Rs. 100 and give voting power at Rs. 500 or the holders of five shares. With these provisions, how can it be suggested that the shareholders will have no power? There is no accumulation of votes possible, there is no means by which three or four shareholders can have 2,000 or 3,000 votes in their hands and, therefore, the remaining shareholders cannot possibly take interest in the proceedings of the general meeting, because they are bound to be swamped by these big shareholders. Where you find in any of these indigenous banks a position like that prevailing, naturally you will find that the shareholders are not taking interest. But that has been safeguarded against in this very clause and, therefore, it is not possible to have the same conditions in the Reserve Bank as have been suggested. An Honourable Member suggested that the maximum limit of shares that might be held by any individual might also be prescribed. I personally have no objection to that course. In fact it was thought of at a certain stage and, but for the criticism that was levelled against the proposal that it would unduly restrict the marketing facilities, the proposal would have been accepted. But, if Honourable Members feel that a further guarantee can be secured by making it impossible for any shareholder to have more than a limited amount, say Rs. 20,000 or Rs. 25,000, I personally am willing to give my whole-hearted support to that proposal. Let us by all means improve the Bill in the way in which it can make more democratic and make the Directors more responsible, but let us not merely raise a cloud of dust in the eyes of both Members of this House and much worse in the eyes of the larger outside public.

There is a provision in the Bill which I should like to see modified though the Joint Select Committee have accepted it. It is provided in section 12 (3) that:

"Where any casual vacancy in the office of any member of a Local Board occurs otherwise than by the occurrence of a vacancy in the office of a Director elected by the Local Board, the Central Board may nominate thereto any qualified person recommended by the elected members of the Local Board."

I should like to see that provision deleted. There is no reason why that vacancy should not be treated as an ordinary vacancy of the shareholders and why there should not be an election straightforward to fill the vacancy. It is that sort of nomination that may afterwards create vested interest in the individual and afterwards enable him to get elected to the Local Board. Therefore, it is incumbent upon us to see that that provision is deleted though the Joint Select Committee has supported it. Have a straightforward proposal here instead of some elaborate and, if I may say so, clumsy proposals and say that, whenever a vacancy occurs, the shareholders will be called upon to fill that vacancy by electing a fresh Director of the Board. That is the way in which all possibilities of backdoor influence can be negatived.

I should like to proceed now to another aspect of this Minority Report. The Minority Report gives, as a second alternative, the scheme of a Stockholders Bank. I should like to examine that scheme, because I am not in a position at present to say whether any member of this Minority Report

may not still press for the Stockholders Bank. If Honourable Members will read the annexure to the Minority Report which contains the scheme, they will find that there is very little difference between a shareholders scheme and a stockholders scheme as they have put it forward. They have suggested that the stock may be issued at Rs. 100, and the maximum stock which can be held is Rs. 10,000, and so on. Ordinary Members like myself do not see much difference between a Shareholders Bank and a Stockholders Bank. As I said repeatedly, the question at issue is how is the power of management to be constituted. Let us see the proposals which have been put forward by the minority for the constitution of the Board of Directors of the Stockholders Bank which is the second best thing that they can think of after a State Bank. They say:

"The Board of the Bank shall consist of one Governor, two Deputy Governors (one not voting), two Directors elected by the Associated Chambers, two Directors elected by the Federation of Indian Chambers, one Director elected by the provincial co-operative banks, two Directors elected by trustees, four Directors nominated by the Governor General in Council."

Here you have the influence of the local Lombard Street or Throgmorton Street and all other influences of such a kind, all combined in one by Honourable Members who wanted to democratize the institution and who wanted the agriculturists to have control for themselves and by Honourable Members who are pleading every day against the rich men of Bombay or Calcutta, and yet I am surprised to see that these are the very Honourable Members who have joined to propose a scheme like the stockholders scheme. What does it come to? Two directors elected by trustees, that is indirectly by the stockholders, and then two Directors elected by the Associated Chambers and two Directors elected by the Federation of Indian Chambers. What is this proposal? I would ask my Honourable friends who have made themselves responsible for this proposal to explain to me how this proposal is going to secure that the voices of the millions, in whose name we have been speaking, will be heard in this Directorate. Are they not ultimately going to rely on the two Directors who are elected by the trustees? Is there any other person who will speak in the name of the agriculturists, in the name of the rural peasants and in the name of all those indebted millions for whom we have been speaking at great length during the last three days in this House? You distrust the shareholders and give four Directors to the Federation, both Indian and European. If that is the idea of democracy, I can only exclaim that, I have very little hope of democracy indeed. No, Sir. This hybrid system is much worse than the direct shareholders system. Under the shareholders system, eight Directors are elected by the shareholders from the various provinces, eight out of fourteen are there at any rate answerable to the shareholders and, therefore, to the large bulk of our countrymen. Do you mean to say that none of the eight Directors can be influenced by the many thousands of shareholders who are holders of these shares in the Reserve Bank? Out of 14 Directors, 8 Directors at least will be irresponsible to some electorate or other. Four are nominated by the Governor General no doubt and the Managing Governor is there, and there is the Treasurer who has no vote. But this hybrid scheme, which the champions of democracy have accepted, is a thing for which I have not got sufficient words at my command to condemn. As there is some doubt as to whether the scheme was actually approved of by the dissenting minority or simply

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recommended, I should like to read a passage from the Minority Report which contains a reference to this subject:

"The stockholders' scheme is appended hereto. We, therefore, recommend that the Reserve Bank should be preferably an out-and-out State Bank on the model of the Joint Select Committee Bill of 1927 or, in the alternative, a Bank on the stockholder plan indicated above."

I do not think words can be more explicit than that. Their first preference or first love—since we have been talking of matrimonial alliances—their first love is the State Bank and their second love is the Stockholders Bank. They have recommended one or the other of these loves to be adopted by the House. Now, Sir, I am anxious that this Board should function as impartially and as fairly as possible and I should like to draw the attention of members of the Joint Select Committee and of the Finance Member to a provision in this Bill which I feel militates against that fundamental basis. I would like to draw the attention of the House to clause 11 which reads as follows:

"(1) The Governor General in Council may remove from office the Governor, or a Deputy Governor or any nominated or elected Director :

Provided that, in the case of a Director, nominated or elected under clause (b) or clause (c) of sub-section (1) of section 8, this power shall be exercised only on a resolution passed by the Central Board in that behalf by a majority consisting of not less than nine Directors."

Honourable Members will see that whereas the power of removal of Directors, even though they are nominated, is restricted by the provision that a majority of nine co-Directors must agree to and recommend that removal, there is no similar provision with reference to the removal of either the Managing Governor or the Deputy Governors. I venture to think that that is an unjust and unfair differentiation. It will work hardship and it will create that very suspicion of State interference which the Finance Member is anxious to avoid. Now, what does it come to? The Governor can be removed without any reasons on the recommendation of nobody, in spite of the fact that he possesses the full confidence of the Directors. The Directors have not got to make any recommendation with reference to that. The scheme of the Bill is this that the Governor is normally nominated on the recommendation of the Board of Directors by the Governor General in Council. Having nominated him, supposing that Governor were to function in a manner which is distasteful to the State, the Governor General in Council can come in at any stage and remove him, because his power of removal under the Statute at any rate is unrestricted. I am aware that it can be argued that if another Governor is substituted, who does not command the confidence of the Board of Directors, the entire machinery will break down; the functioning of the Reserve Bank cannot be smooth when no Governor can retain his place with an adverse Directorate. But, apart from these reasons, it is possible that where the Governor and the Board of Directors are working smoothly, but the State takes a different view or the Governor General takes a different view,—because we must contemplate the possibility of that constitution amending Act replacing the words "Governor General in Council" by the words "Governor General at his discretion"—the Governor General can step in and remove the Governor and the Deputy Governor of the Bank. That is where State influence, Whitehall influence, the Secretary of State's influence, comes in. I do not think I have presented a mare's nest to this House at all. I think the Honourable the Finance Member will be fair

enough to agree that the position of the Managing Governor is the vital position, the pivotal position, for the working of this Reserve Bank and it ought to be made as secure as it can reasonably be made. I, therefore, suggest that the Governor and Deputy Governors should come in under the same inhibitions and restrictions as the elected and nominated Directors and that unless nine Directors agree that the Governor and the Deputy Governor should be removed the Governor General in Council or, if it should happen at all at a later date, the Governor General at his discretion should not have power to remove them.

**Sir Leslie Hudson** (Bombay: European): Will they not be under contract?

**Sir Cowasji Jehangir:** The Directors are appointed for a certain number of years, but they can be removed for misconduct.

**Sir Leslie Hudson:** That is the only ground on which the Governor or Deputy Governors can be removed.

**Diwan Bahadur A. Ramaswami Mudaliar:** I am glad, my Honourable friend has raised that point, because that clears up what I have to say. In the case of the Directors, nominated or elected, the judges of that misconduct are their colleagues on the Board, but, in the case of the Managing Governor, the judge is the State. That is an unsatisfactory condition. I know he can be removed only for misconduct, but the question is, who is to be the judge of that misconduct and what is the standard of that misconduct? Can the State arrogate to itself the supreme power to decide what is misconduct and, therefore, remove the Governor or the Deputy Governor at his own will and pleasure? Or can the Governor General at his discretion assume for himself the responsibility for deciding what that misconduct is without reference to the Board of Directors who have delegated their powers to this Managing Governor, who supervise his work and on whose authority he functions in his day to day administration? Can the Governor General, of his own accord and without any consultation with the Board of Directors, venture to say that he is satisfied that Governor A is guilty of misconduct, and, therefore, he will remove him, notwithstanding the terms of the contract into which he has entered? I am perfectly certain that my Honourable friend will realise on reflection that it is invidious to make a distinction between the Governor and the Directors and that both should be subject to the same clause that unless nine Directors agree that there is misconduct, the Government or the Governor General should not intervene and remove them.

**Mr. Muhammad Yamin Khan** (Agra Division: Muhammadan Rural): Will my Honourable friend just clear up one point? In the case of the Managing Director, why should not the majority hold this view? Why should there be a restriction that nine members out of 14 should apply? Of course there may be a justification in the case of the Director who is their colleague, but, in the case of a servant, why should not a majority hold the view?

**Diwan Bahadur A. Ramaswami Mudaliar:** My Honourable friend is prepared to go a little further than I do, but I think, on reflection, he

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will agree with me. I claim to be as democratic as my Honourable friend, Mr. Yamin Khan, and I would rather have a safeguard that a fair and substantial majority of the Directorate and not a catch-vote will displace the Managing Governor or any of his colleagues. That is the reason why I prefer the scheme of a substantial majority of the Directors having satisfied themselves that the Governor has been guilty of misconduct and, therefore, deserves to be removed. Now, Sir, I have, therefore, somewhat elaborately dealt with this question of Shareholders, Stockholders and a State Bank. And I venture to appeal to every section of this House,—because this is not a party question in any sense of the word; it is a question which affects fundamentally our own future,—that a Shareholders Bank is the best thing that can be devised and that, merely because it comes through the Government or that the London Committee has endorsed that view, there is no reason to be suspicious about it. On the merits taking all factors into consideration and assuming the fundamental factors relating to the constitution of a Reserve Bank, I venture to recommend to my colleagues in this Assembly, as I would venture to put forward before the larger public in India, that a Shareholders Bank is in the best Indian interests and the best interests of this country.

Sir, I should like to refer to some minor points,—I do not wish to take up much more time. Certain objections have been taken to the deposits that are proposed to be received under a statutory basis from commercial banks who are member banks of this Reserve Bank. I think it is one of the fundamental requisites for the satisfactory functioning of a Reserve Bank that commercial banks which are member banks should have deposits with the Reserve Bank.

**Mr. Vidya Sagar Pandya:** The Honourable Member has laid great stress on the Reserve Bank system obtaining in other parts of the world. May I point out that, except in the case of three or four countries, no compulsory deposits are imposed on any banks by Statutes.

**Diwan Bahadur A. Ramaswami Mudaliar:** I am thankful to the Honourable Member for the information. But the trend of opinion of all those who have studied the question of the Reserve Bank is that it is advisable for the proper functioning of the Reserve Bank as of the member banks that this system of reserves or deposits should be established. And I venture to think that, the particular circumstances of our country, where people have said that there is no adequate control over member banks or their functioning, it is more than ever essential that the deposits from these member banks should be secured for the Reserve Bank. It is good in the interests of the member banks themselves. It is sometimes suggested that this is a sort of penalising the member banks, the indigenous banks and the foreign banks and that there is no *quid pro quo* for the reserves that are kept with the Reserve Bank, that it does not carry interest and that, therefore, the member banks suffer to that extent without any profit whatsoever. I venture to think that the scheme of the Reserve Bank has been somewhat misunderstood. To my mind, the scheme of the Reserve Bank is something like the scheme of an insurance company: the insurance company collects premia from various persons and it is able to pay out, at any particular time, to any single individual the whole amount for which he has been insured or his property has been insured. The Reserve Bank may be

likened to an insurance company; the various member banks deposit with the Reserve Bank certain proportions of their deposit and time liabilities. When there is stress, when there is a run on a bank, the Reserve Bank comes to the assistance of that particular bank. In America, this evil has been felt, and it is only by the establishment of the Federal Boards and the various Federal Reserve Banks in the States that this evil has been got over . . . .

**Mr. K. P. Thampan:** How did it happen, then, that nearly 1,500 banks were wound up in America last year?

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair would just like to make a suggestion at this stage with a view to facilitating the discussion. We are in the third day of the general discussion. So far there has been no serious opposition to the original motion moved that the Bill be taken into consideration. Such being the case, the Chair would suggest that, so far as the technical points are concerned, it would concentrate the attention of the House better on individual points if Honourable Members, who want to dilate on those points, would refer to them at a later stage when the actual clauses relating to those points come under discussion; at this stage it would be better for the House that as many Members as possible get an opportunity of giving expression to their opinions on the general scheme and the principles involved.

**Diwan Bahadur A. Ramaswami Mudaliar:** I am thankful to you, Sir, I shall not pursue this matter further. There is only one question which is of sufficient importance to which I should like to refer, and that is the ratio controversy that has been raging in the country. I appreciate the position, I may say at once: people feel very strongly that the present ratio is an artificial ratio, that it cannot be long sustained, that it does damage to the country and the sooner we restore the 16d. ratio the better it would be in the interests of the agricultural producer. I appreciate that position, though I cannot perfectly see eye to eye with the somewhat hectic activities of a currency league which comes into being just on the eve of the introduction of a Reserve Bank Bill and disappears as soon as the Bill is thrown out by the Legislature—though I am unable to appreciate the large amount of literature containing merely the reports of various meetings held at different centres of this country with little educative value to those who are anxious to understand the pros and cons of the problem—I am aware that in this country there is a very strong feeling that the present ratio works hardly and harshly against the best interests of the country, and that the sooner that ratio is changed the better it would be. Very general appreciation has been given to this factor with reference to the ratio in this House by various Members who have preceded me that the linking of the rupee to sterling is inevitable and advisable. Many Honourable Members have suggested that there is no other course and that the rupee must be linked to sterling and cannot be left to drift by itself. To that extent they have gone against the very weighty opinion which has been expressed more than once by the Federated Chambers of Commerce in India, many of whose protagonists have suggested that the rupee may be left to find its own level and that there is no need to link it with sterling. But there is one consequence which necessarily follows from the linking of the rupee to sterling which has to be realised. Merchants are more anxious to have a definite fixed ratio and, to that extent, I agree with my friend, Mr. James, than to have

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varying ratio. There are two considerations which are present in their minds: they would like to have a ratio which is at par with the general level of prices in India and in the main country with which it is industrially and by trade connected: secondly, they would like to have some sort of fixity with reference to the ratio. Business would be impossible; forward contracts would be difficult to make if there was no guarantee that the ratio would continue fairly stable for any length of time. There are, of course, hedging provisions that are made in various contracts with reference to a falling ratio, but those who are engaged in business know perfectly well how difficult and sometimes impossible it is to make such hedging provisions. The point of what I am saying is this: the linking to sterling inevitably means a new direction given to the trade of the country. Taking into account the predilections of merchants for a definite fixed ratio, it cannot be questioned that as years go by—as indeed in the years that have gone by it has shown—the drift towards export and import trade will be more and more towards those countries on a sterling basis and less and less towards those which are not on a sterling basis. That is an aspect of the question which I should like to be clearly understood by those who are in favour of linking the rupee to sterling.

Sir, in the second place, the actual question of ratio has been raised. The report of the London Committee has been so often referred to that I do not think I need quote the particular extract which fairly accurately represents the opinions of a large majority of the Indian delegates who sat on that Committee. Their position was merely this: they did not challenge the right of this Legislature to fix the ratio. That was constitutionally inherent in the Legislature and, if a Bill came forward at any stage with reference to any of these provisions containing a provision for the ratio, that was capable of amendment as much as any other provision of the Bill. But they suggested that this was eminently a matter which could be discussed threadbare on the floor of the House, but should really have been a matter for action by the executive, and my friend, Sir Cowasji Jchangir, repeatedly pointed out that ratios have been changed overnight by executive action and have not been the subject of elaborate discussion on the floor of the House. We can only put pressure on the Government to see to it that the ratio is changed in the direction in which it is wanted: but the position today is somewhat different. The Reserve Bank Bill contains a provision that the ratio should be fixed on the present scale when this provision comes into effect, that is, when the Reserve Bank is instituted: and I ask my Honourable friend, the Finance Member, to say whether he is a good enough prophet to suggest that, on the day when the Reserve Bank Bill comes into operation, when the Governor General has brought into existence the Reserve Bank and has brought the provisions of this Act into force, whether he can say that on that date 18d. is the ratio that will be in existence. If it is not so, then are we only making a hypothetical provision for a contingency which we do not know may arise or may not arise, and for circumstances which are beyond our ken at the present time? We live in abnormal times . . . .

**The Honourable Sir George Schuster:** If my Honourable friend feels these doubts, may I ask why he approved of the recommendation in the London Committee's report that the ratio in the Bill should be that prevailing on the day when the Bill is introduced

**Diwan Bahadur A. Ramaswami Mudaliar:** I will answer that quite straight. Honourable Members need not be under misapprehension as regards our position. Honourable Members will find that the Committee recommended that the Government should make a thorough investigation of the whole question before they introduced their Reserve Bank Bill and before they put in this provision. The Honourable Member may say that he has made that thorough investigation, that he has satisfied himself that there was no other course open, that this ratio was the best ratio and that, therefore, he has introduced this provision in the Bill . . . .

**Mr. C. S. Ranga Iyer** (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): I am quite unwilling to interrupt my Honourable friend; but I am only seeking light and information as he was a member of the London Committee, whether a similar provision exists in the Reserve Bank constitutions in other parts of the world, and whether they examined it: I have not studied the subject sufficiently and I am only seeking light from my friend who, I am sure, was very assiduous in this particular matter.

**Diwan Bahadur A. Ramaswami Mudaliar:** Sir, as the time of the House is limited, I do not want to offer an explanation now. I am perfectly willing to help any individual Member with light on any question on which I am capable of throwing light.

**Mr. C. S. Ranga Iyer:** Is there any clause in any of the constitutions?

**Diwan Bahadur A. Ramaswami Mudaliar:** Now, Sir, apart from this fact, the position has considerably changed. The position today is not exactly what it was at the time when the Reserve Bank Committee sat. One must take into consideration the fact that the dollar has depreciated very considerably since, that the franc is about to be pegged off gold. Who is there who can say with any certainty that the franc will still continue to be on the gold basis? We are aware that the authorities in the United States are trying their level best to see that France comes into line with them, so that, at some future date, when every other country is off the gold basis, there can be a conference of various nations to suggest a suitable monetary basis for the whole world. The policy which has been followed by President Roosevelt is a policy which has come into existence since the conclusion of the London Conference. Does my friend suggest that the depreciation of the dollar is a matter of no concern for us at all, it has no bearing at all on this question, that the possibility of France going off the gold basis, which was not visualised then but which looks almost a certainty now, is of no concern for us at all now? I only plead that under these circumstances the date of the decision may be changed, and that it will be a leap into the dark if now and at once the Honourable the Finance Member asks this House to decide on this ratio. I have expressed no opinions on the merits of the ratio. I am perfectly willing to keep an open mind and vote for 18 pence should I be convinced that that rate is for the good of this country, but I refuse to be a party to voting for 18 pence on the 31st October, 1934, when I do not know what conditions will intervene in the meantime. That is my point with reference to the ratio, Sir.

My friend, Mr. Sitaramaraju, with an amount of assiduity which is fully worthy of the Members of this House, has pointed out that a rural credit department should be immediately established and that, on the analogy of the Australian Bank, it should function. I may point out that, under the

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Minority Committee of the Central Banking Inquiry Committee Report, its provisions have been designed for the purpose. They want to bring in the provincial co-operative societies and land mortgage banks pending an apex bank under the Reserve Bank, so that the Reserve Bank may give not merely short term loans but long term loans so that the functioning of the whole structure may be to the advantage of the indebted rural peasant and landowner in the country. I venture to think, Sir, that much more careful attention should be given to this subject, and I do not think I am misrepresenting or misconstruing the opinion of this House when I say that on this side of the House opinion is unanimous that the present provisions do not go as far as they should have gone and that something much more substantial and tangible must be done for the establishment of a rural credit department of the Central Bank. (Applause.)

**Raja Bahadur G. Krishnamachariar** (Tanjore cum Trichinopoly : Non-Muhammadan Rural): Sir, as one who had not been a member of the Select Committee, I congratulate the Finance Member for the lucid manner in which he put before us the salient features of this Bill, and I propose, in the few observations that I shall submit to this House, to take up only some of the points in obedience to your ruling and leave the details for discussion on the numerous amendments that are proposed to be made to this Bill. I also thank the Honourable the Finance Member for the generous appreciation of the trouble and care with which the members of the Select Committee dealt with this Bill. Having said that, I am afraid I am in the same position, as has been observed by Wordsworth:

"Oh, what is the matter, what is the matter".

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) vacated the Chair which was then occupied by Mr. Deputy President (Mr. Abdul Matin Chaudhury).]

Sir, having heard the discussion in this House for three solid days, I am not at all sure where the House or ourselves are in connection with this Bill. In submitting, however, the few observations that I propose to make, I want to make my position quite clear. I am as anxious, if not more anxious than the Finance Member himself, to bring into existence this Reserve Bank as early as possible. The history of the management of the currency of this country in the recent past fully justifies the bringing into existence of an institution which will co-ordinate the management of both currency and credit in this country. It will relieve the Government Departments, who are not independent actors in this matter, from the necessity of dabbling with currency and credit every time the wire is pulled across the seas six thousand miles away, and, Sir, it will give us some relief when a local Directorate, with a Managing Governor, however partial he may be suspected to be, will take up the management of currency and credit. Sir, the House will remember how in the year 1920 a distinguished civilian played havoc with our finances with the result that the country had to bear a loss of about fifty crores. If only for the fact that that position will not be repeated, I am equally anxious with the Finance Member that this Reserve Bank should come into existence as early as possible.

Sir, the White Paper on the Constitutional Reforms stated that the Reserve Bank would come into existence on four conditions. I do not know if those conditions are fulfilled. One of them, the building up of a

proper reserve, has, I suppose, been made up by the offer of five crores of rupees as an initial reserve which was made by the Honourable the Finance Member the other day. But there is one condition, the last of the four, which, I am afraid, has not been fulfilled, and that is that India's normal export surplus should have been restored. I am not sure that it has been done. The depression continues, and the trouble about the normal surplus is still there—The London Committee had not said anything about it, and in view of the fact that the Honourable Member who, I have no doubt, has followed the course of the export trade, has himself introduced this Bill, I take it that the conditions laid down in the White Paper have been satisfied. Whether it is so or not, I do congratulate the Government of India all the same on the step they have taken in trying to place this enactment on the Statute-Book.

There is yet another reason, Sir, why I welcome this Reserve Bank Bill. The third Round Table Conference, I believe, decided that, as a condition precedent to the bringing into existence of an All-India Federation and the granting of responsibility in the Centre, a Reserve Bank should be established. I have my own views regarding an All-India Federation and as to its coming into existence, if it ever does come into existence at all. That is why I have always been insisting on the fact that, so far as the outside world could see, there is no connection between the establishment of an All-India Federation and the granting of Central responsibility. However that may be, that question does not arise now for discussion. I am glad that whether with an All-India Federation or with only the Central responsibility, the Central Bank will come into existence.

Another reason is, having had bitter experience out of the result that followed from the rejection of the Reserve Bank Bill in the year 1927, of which we had a confession from Mr. B. Das who claimed to be a principal actor in the wrecking of that Bill, I am afraid it would not be in the interests of India if we attempt in a cavilling spirit to deal with this Bill. These are the reasons why I welcome the passing of this Bill, and, as a matter of practical politics, I would submit that in all proposals for the reform of any portion of the country's interests, it is always best to take what you get, and then try and change it as time goes on and circumstances require, and not wait for the fulfilment of all the conditions of sixteen annas in the rupee before you introduce the necessary reforms. Sir, I cannot claim to be an expert in these matters, nor do I claim that I have made any very special study of this question. I am a man in the street, but I know certain things about my country and my country's needs and if, in the few observations that I propose to make, it appears as if I am opposing this motion, I want to disabuse the mind of everybody that I am not doing so, but that my only endeavour is to put forward proposals which might, in my humble opinion, improve the Bill and make it acceptable to the country, for I believe that whatever may be the reasonableness, whatever may be the capacity with which this Bill would work hereafter, you must take the country with you; otherwise, when this measure becomes an Act it will not satisfactorily work.

The first point that I would submit for the consideration of this House, and I hope the Finance Member would be able to give us a satisfactory assurance upon the matter, is our right to amend this Act when the new Constitution comes into existence. This matter was raised in the Joint Select Committee by several Members and, in answer, the Finance Member

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made a statement which is printed at page 19 of the Select Committee's Report. I won't trouble the House by reading the whole of it now, but portions of the statement made by the Honourable Member are necessary to be submitted to this House before I can place before them my argument as to why I consider this statement, as has been observed by the gentlemen who signed this, to be very unsatisfactory. The Finance Member says:

"There has evidently been some misunderstanding as to the scope of the Secretary of State's answers to Lord Rankeillour which were concerned only with a technical point raised in the course of the discussion on another subject and did not imply any change of view or policy, so far as the Secretary of State was concerned, as to the power of amendment of the Reserve Bank Act by the Indian Legislature subject to the prior consent of the Governor General. There is no intention under the present proposals that the British Parliament should undertake legislation amending the Reserve Bank Act. According to the White Paper proposals this would be the function of the Indian Legislature subject to the prior approval of the Governor General. The technical point with which the Secretary of State was concerned arises in the following way."

Then he proceeds to explain that the Constitution Act which will be eventually passed would have an Adaptation Clause and these provisions regarding the Reserve Bank will necessarily have to be embodied in it, and that is the reason why the Secretary of State has made that statement, whereas, really speaking, it was not his intention to restrict the power of this Legislature to amend this Act. But, Sir, if I may respectfully say so, that is not the meaning of the language used by the Secretary of State, certainly I do not understand it in that meaning. In the White Paper proposals there are two sections, sections 110 and 119. Section 110 deals with those subjects upon which the Legislature could not pass any Act. Section 119 refers to those measures which this Legislature could enact subject to the previous sanction of the Governor General in Council now, and at his discretion later. Remembering that, Lord Rankeillour puts this question:

"Is it not proposed to put anything into the Constitution Act with regard to the Federal Reserve Bank? Is it proposed to legislate separately for that?"

The Secretary of State says:

"What is happening with the Reserve Bank is this. There was this very comprehensive and expert enquiry into the question in the summer. Previous legislation of the kind has taken place in the Indian Assembly and the arrangement has been that a Bill would in due course be introduced in the Indian Assembly and that Bill would pass through the Indian Assembly if the Indian Assembly is ready to pass it. Some reference will certainly be needed to the Bill in this Constitution Act."

Then a question was put that it may bring it under section 110, namely, that no legislation can further be made upon that by this Legislature. The answer was:

"Let me be just clear about that. No, it will not bring it under section 110; it will bring it under section 119. But except as otherwise Parliament may determine, only the Imperial Parliament would be able to alter the proposals."

I think that is perfectly clear. Then the examination proceeds:

*Q.—*"If the reference in the Constitution Act confirms the provisions of the existing Government of India Act that would make it part of the Constitution, would it not?"

*A.—*"It would become a part of the Constitution—to this extent that a reference of some kind would be made to it in the Constitution that would ensure the proposals of the Indian Reserve Bank Act only being alterable with the approval of the Imperial Parliament."

The Secretary of State has said that twice. Then, Sir Hari Singh Gour puts this question:

"There is just one question I wanted to ask the Secretary of State. Did I understand the Secretary of State to imply in answer to a question put by Lord so and so that, after the Reserve Bank Bill is passed by the Indian Legislature, any amendment of that Bill would be with the concurrence of the Imperial Parliament, or that no amendment could be made by the Indian Legislature except with the consent of Parliament?"

The answer is:

"The position is rather a complicated one. It is this, in a sentence or two. Here we are asking the Indian Legislature by its own legislation to carry out arrangements that we say are essential for bringing the Constitution Act into being. (That is the passing of the Reserve Bank Bill.) Obviously, if that arrangement is to take effect, it cannot be possible for the Indian Legislature at some future time to alter the conditions without which the Constitution would not have come into operation without the previous consent."

That finishes the examination of the Secretary of State, and I very respectfully ask the Finance Member, whether the language used by him was either in connection with some other matter or whether he did not specifically straightforwardly say that without the consent of the Imperial Parliament no amendment can be made. The reason why I raise that point at the outset is that it is just as well, before you trouble yourself to waste public time by bringing into existence this Reserve Bank Act, to find out of what real use this is going to be. There are matters which, even in the Select Committee's Report, . . . .

**The Honourable Sir George Schuster:** May I intervene? It might help my Honourable friend if I were to tell him that the statement that I made was made with the full authority of the Secretary of State; in fact, I used the words which he himself authorised me to use, as explaining the position which he had taken in the Joint Parliamentary Committee.

**Raja Bahadur G. Krishnamachariar:** I am very glad of that statement, but that only makes the position worse. The Secretary of State in his examination states, as I understand the English language—I am not an Englishman, but I have just tried to understand a little bit of English, and that English is as follows: "But except as otherwise Parliament may determine, only the Imperial Parliament would be able to alter the proposals." Having said that and finding himself up against a stone wall here in the Joint Select Committee and being troubled with the position, he tries to wriggle out of it, if I may respectfully say so, by a statement which I must characterise as disingenuous.

**Sir Cowasji Jehangir:** May I ask a question if the Honourable Member will permit me to do so? Are we to take it definitely that the statement that the Finance Member made on behalf of the Secretary of State to the Select Committee is the final statement and that anything he may have said inadvertently or deliberately in the Select Committee does not now count? Is this the final statement made on behalf of the Secretary of State which we have to consider?

**The Honourable Sir George Schuster:** I can tell my Honourable friend what I have already said. I asked the Secretary of State if he could help me to explain the position in view of certain questions that had been

[Sir George Schuster.]

raised and he authorised me to make a statement on the lines, part of which my Honourable friend has just read. The statement which I made made the position absolutely clear, and I think we are justified in assuming that, as the explanation was given subsequently to the evidence before the Joint Select Committee, this is the statement of the position on which we must stand.

**Raja Bahadur G. Krishnamachariar:** I am reading the other portion of it, because I reserved it when I put before the Honourable House the position in justification of my statement that the Secretary of State, having found himself in a hole, tries to wriggle out of it by making a statement which certainly in no way is relevant considering the plain and simple and straightforward question put by Lord Rankeillour as well as by Sir Hari Singh Gour and his own answer. The next paragraph of the statement made by the Honourable the Finance Member at the Select Committee was this: The Constitution Act will have to contain an adaptation clause laying down as to how, when reform at the Centre takes place, the powers to be exercised by the Governor General in Council under the Reserve Bank Act will have to be exercised in the new Constitution. This is all right. That, of course, is with reference to this portion of the answer where he says that some reference will certainly be needed to the Bill in the Constitution Act. That, of course, is so, because, as the Committee themselves say, while the Bill has been framed with reference to the existing Constitution, due provision will have to be made in view of the reforms which are in sight. It proceeds. If the reference in these proposals for the Constitution are accepted by the Joint Select Committee and if the Constitution Act and the adaptation clause were to declare that certain powers, exercisable by the Governor General in Council under the Reserve Bank Act, were to be exercised in future by the Governor General at his discretion and if, in future, it were desired by agreement that any particular power or powers thus provided for should be exercised by the Governor General on the advice of the Ministers, and not at his discretion, then legislation giving effect to this would be an amendment of the Constitution Act and not of the Reserve Bank and could be undertaken by no other authority than the British Parliament unless the Constitution Act itself provided for the contingency. The question is now being considered whether such a provision can be included in the Constitution Act and the point of doubt to which the Secretary of State was referring in his replies. So far as I can see, this is only a round about way of saying that in the Constitution Act we shall have to provide for this contingency, and once we provide for it in the Constitution Act, goodbye to the power of the Indian Legislature, and you can only go to Parliament and have it amended. There is no doubt expressed by the Secretary of State in the passages that I have read. I, therefore, submit that unless this point is cleared and unless we are quite sure that we can even in those cases, where the Select Committee think that amendments must be made, I believe even in those cases referred to in the memorandum submitted by the Government Members where they also refer to probable amendments, unless these things are cleared, how are you going to introduce these amendments later? Every time we want to make an amendment, we shall have to go to the Parliament, that is to say, through the Governor General and the Secretary of State, and the Secretary of State being pulled from behind by City interests, you may take it

that, if the amendment is of such a nature that it comes into conflict with London City interests, that amendment is not going to be allowed. What then is the use of an Act like that? I am perfectly sure that the enactment of this Act will bring us a good deal of relief, but what is the use? I remember to have read in Goldsmith's "Vicar of Wakefield" that on holidays the gentleman used to give to the younger members of his family one pound each with strict injunctions not to change it. The position in regard to the Reserve Bank is to be exactly like that. Many of our friends feted the Secretary of State in London. My friend, Sir Akbar Hydari, topped the list and said so many good things about him—for what? For discharging his duty, for understanding the provisions of an Act which he had to pilot through Parliament. As the *Hindu* says, in the heat of a long and probably trying cross-examination, the Secretary of State has said something which he may or may not accept hereafter. Whatever may be the explanation, the position is there. As I said, all the benefits that the British Government had conferred upon us had been nullified by the way they had manipulated our currency. Likewise, all the benefits that will flow from the passing of the Reserve Bank Act will entirely disappear if we are told that we cannot change it. That, Sir, is my observation on this very important question. I am glad that my friend, Sir Cowasji Jehangir, has raised this question. I know what will happen if the Finance Member tries to put his own gloss upon that statement. You know what happened when a statement was made by His Excellency regarding dominion status and how a whole host of people pounced upon him and said that the Governor General had no business to say these things which it is our privilege to say. That reminds me of a little story. There was a mother-in-law and a daughter-in-law, two occupants of a house. The mother-in-law had gone to the tank to bathe. In the meanwhile, a beggar came and asked for alms. The daughter-in-law said: "there is nothing in the house. I cannot give you anything". He tried his best, but the daughter-in-law was firm. So he went back. Half way the mother-in-law was returning from the tank and as she had noticed that the man was coming out of her house she asked him why he went to that house. "Madam, I am very sorry I went there to beg."

**4 P.M.** "And what is the result?" "Your daughter-in-law said there was nothing in the House, she cannot give anything." She then asked the beggar to follow her and when she came back to her house, she said to the beggar with great vehemence: "Now there is nothing in the house and you better go back. It was impertinent of my daughter-in-law to say that 'there is nothing in the house and I cannot give anything' when it is my privilege to say so. Has it come to this that she has become the mistress of the house?" Now, that, Sir, is an intolerable position. That is what the British Government will do on another occasion. I shall refer to the manner in which the Secretary of State has dealt with certain action of the Government of India.

Sir, the question of the State Bank *versus* the Shareholders' Bank took the whole of this day and my friend, Mr. Ramaswami Mudaliar, has taken all the wind out of my sails, and I am not going to waste the time of this House by saying anything about it. I will only suggest this. (*An Honourable Member*: "Why not give us a bit of your mind?"), I have no view, Sir, for this reason. As George Eliot makes Silas Marques say:

"They all say the same thing,  
Some people say one thing, some another, as I always do,  
Both of them are right and both of them are wrong."

[Raja Bahadur G. Krishnamachariar.]

So far as India is concerned, Sir, there is absolutely no criterion at all. Lord Morley was once talking of the reforms, and when our people contended that the reforms were suited to England, and why not to India, he said; "don't ask about the Canadian furcoat. That can only be worn in Canada and not in India". So, whenever we ask for something else, we are told: "the conditions are quite different here, you must ask for something which will suit your conditions. You cannot work things which suit the conditions in England".

Now, however, when we discuss the Shareholders' Bank, we are told: "look at what the whole world does! Everybody has succeeded with the Shareholders' Bank, and why India alone should think she will not succeed?" My Honourable friend accurately described the activities of the Currency League. They said that the Central Banking Inquiry Committee unanimously supported the State Bank. It was shown that it never did anything of the sort. That is how the whole trouble arose. If the State Bank is going to be administered by the State, why, we can continue in the present condition. We are, it is said, not satisfied with what the Government of India have been doing, and my friend, Mr. Das, says that he has no reliance upon the Government of India and that they are sure to ruin your whole interests. What are you going to do? Now, I am perplexed, I am a man in the street. I noted that these men sitting in solemn conclave in London have come to the conclusion with the assistance of foreign experts that a Shareholders' Bank would work well; I said, "all right, I close". It is an experiment,—in fact we are having a series of experiments upon our currency policy. Are we not having one continuous series of experiments from the time of Adam Smith up to now? Sir, try the Shareholders' Bank; but, if you can agree, make a provision that after some time when you find that the Shareholders' Bank does not work well, give a power to the State to purchase it. (Hear, hear.) Sir, I quite remember the provision in the Bill quoted by my Honourable friend, Mr. Mudaliar, regarding the supersession of the Bank. Now, that word has a bad odour. In the Madras Presidency, there is a District Municipalities Act which has got a provision about superseding municipalities. (*Mr. K. C. Neogy*: "There is such a provision everywhere.") I suppose it is everywhere, because the genius is the same. (*An Honourable Member*: "Evil genius.") Sir, the question of the supersession of the Bank is quite different from the proposal I make. What I say is. "Let the Bank go on as it is; let my friends on this side, who are very anxious for a State Bank, have their innings, and let them see if the State Bank will function better than a Shareholders Bank; but after the elaborate explanations given by my Honourable friend, Mr. Mudaliar, I have very little to choose between a State Bank and a Shareholders' Bank so far as practical results are concerned.

Sir, with regard to the Deputy Governors, I cannot understand why you want two of them. It is absolutely impossible to believe it, The Select Committee says:

"Considering the amount of work that will come before the Bank, we are of opinion that two Deputy Governors should be appointed."

Sir, in the year 1927, we were quite satisfied that one Deputy Governor would suffice. Why are there to be two now,—because we are becoming

old, or what? You do not know what exactly is going to be the volume of business of the Reserve Bank. Wait and see. If you should want one more Deputy Governor, you can very easily bring him into existence. I would, therefore, submit with regard to the appointment of the two Deputy Governors that this Bill requires a little re-consideration and I think we might just as well start with a small beginning. We have got a dictum in our Shastras:

*"Alparambhab Kshema Karah."*

"If you want prosperity, begin from small things. Do not jump at big things."

Then there were certain proposals made regarding the proportion of shares to be held by Indian nationals. I must say that when a provision like that is made, it does not mean any discrimination, however distant it may be as suggested by my Honourable friend, Mr. James. Such a provision, I believe, has found a place in most of the Reserve Banks in Europe. I cannot understand why, when these provisions existing in those banks are not held to be discriminatory, they are to be necessarily held as discriminatory when inserted in our Indian Act. I quite agree, there is a great deal of force in the argument of the Honourable the Finance Member that practically the thing will come to even more than 75 per cent, and that it would be much better that such a provision should not be made in the Statute. Now, I happen to have heard of a gentleman of the name of Mr. R. K. Shanmukham Chetty (now he is the Honourable Sir Shanmukham Chetty). He was a big fighter in those days when the 1927 Act was on the anvil. Now, this is what he said regarding assurances that might be made. Listen to what he says. Regarding the forecast as to what the position will be if no such provision is made in the legislation, he said:

"By bitter experience we have realized that there is no more use pinning our faith even to solemn declarations made on the floor of the House."

This is not my language; it is the Honourable Sir Shanmukham Chetty's argument:

"And nothing short of a Statutory provision of this nature will satisfy the Honourable Members on this side of the House. I want the House to bear in mind this, that if the first Governor or Deputy Governor is not to be an Indian, for fifteen years you may not have an Indian for these posts. If the first Governor and Deputy Governor happen to be non-Indians, you may have to wait for 15 or 20 years to get an Indian Deputy Governor on the Board, and I would, therefore, implore the House to bear the importance of this proviso in mind."

That is the reason why I say that a provision positively enacting what we want should be made in the Statute, so that, hereafter, if some persons were mischief-minded, they may not be able to create that mischief. Sir, if I may digress a little I will make a reference to the saying of a great man: "We have cheated the Indian nation." It was Lord Lytton who said that and it was with reference to the Statutory Civil Service and the promise that was made to the Indians in order to recruit them into the Statutory Indian Civil Service. He said: "We have broken to the heart the promises that we made to the ear." He said that, of course, after he was out of office. Now, the reason why I have mentioned it is this. Things which are said are not evidently binding upon anybody and they will take their usual course irrespective of any pledges given on the floor of the House or elsewhere. That is the reason why I say that the proportion of the shares as well as the nationality of the person who would

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hold this appointment of a Governor or a Deputy Governor should be specifically stated so that there may be no quarrel afterwards. I am very sorry that that is the position and we have got to conform to it.

Now, Sir, I proceed to another important question, and that is a question in which I am especially interested, namely, agriculture. Every time the question is raised, there is a good deal of sympathy flowing for the agriculturist, but in practice nothing happens. The Central Banking Inquiry Committee, among other things, pointed out that, although there were 2,500 odd towns in India, there were only 444 commercial banks operating. They took into consideration the position of all these banks of which a list was placed before them and they found that these banks, however much they tried, would not be able to meet the demand of the agriculturists. Consequently, they recommended as follows after taking all the conditions relating to this matter into consideration:

"We agree with the foreign banking experts that additional provision should be made in the Reserve Bank Bill enabling the bank to make loans and advances on the security of movable goods, wares and merchandise as well as against the warehouse warrants or warehouse receipts representing such goods."

I know that in clause 17, in two places, credit is assured to the agriculturist. But it has been assured only on documents containing two signatures, one of which should be that of a scheduled bank. Now, take my case in Madras. I have got my grain and other produce which I cannot sell at a favourable rate at the time when the Government demand their money. I am sorry to say I have got to pay quite a good lot. Now, if I go to the Reserve Bank, what happens? I must take before them a document signed by two persons, one of whom should be a scheduled bank. If you turn to the Schedule of this Bill, you will find that there is only one scheduled bank in Madras and that is the Indian Bank. (*Diwan Bahadur A. Ramaswami Mudaliar*: "There is the Nedungadi Bank and also the Hindustan Bank."). That bank is not mentioned there. I think. But it is the same to me. All these gentlemen work in Madras and we down south have got to go to them and first make ourselves known to them, because without knowing us, they will not countersign this document and, by the time all these formalities are gone through, the time for the payment of the Government *kist* passes, and what are we to do? Considering all these difficulties, the Central Banking Inquiry Committee suggested that loans should be advanced on the security of movable goods, wares, etc. On the other hand, I am speaking subject to correction, if a commercial man has got his goods in a warehouse or in a godown, he locks it up and gives it to the bank and, on the security thereof, he is able to obtain some advance. But look at the poor agriculturist who so far has not been able to get a single pie out of these commercial banks. You go to the Imperial Bank and they will say that they have opened 100 branches, but it is easier to interview the Viceroy than to interview the Agent of the local Imperial Bank. You have got to wait outside, because the Sahib has no leisure and the *Jamadar* takes a lot of time before he intimates your presence there. (*Mr. B. T. Jadhav*: "Grease his palm.") Sometimes you have got to do that; you cannot help; that is part of the day's work. Afterwards, we are referred to the cashier. The cashier says to himself why should this man have more money than myself. So he says that the Agent is very busy and, therefore, he cannot take me to him and asks me to come day after tomorrow. So I have got to go back

six miles absolutely disappointed. Now, how long this sort of thing is going to last? He trades upon my money; he earns a profit upon it, and when I want that proper facilities should be afforded to me, the Sahib cannot be seen and the cashier refused to give me the amount. Therefore, I have got to go to that much maligned and much hated *sahukar* upon whose devoted head so many curses have been showered and yet, at the nick of time, when the most important event comes, namely, the payment of Government *kist*, it is he who comes to my rescue and not the great Imperial Bank with all its Charters and Directorates and other things. That, Sir, is the position in which the agriculturist is placed; and what does he care whether you bring into existence the Reserve Bank so long as you do not provide something in it on which he is to go. I know that in clause 53 the Bank is advised that they should within three years hatch a proposal and bring it into existence to be legislated upon if necessary. That reminds me of what Sir George Yule said from the Presidential Chair of the Indian National Congress years ago. It is ancient history. He said:

"Providence entrusted the fate of India to the British nation and the British nation threw back the trust upon Providence. So, between the Providence and the British nation, the Indian nation got nowhere."

That is the position. We have nothing to do with the Reserve Bank. Government, with all their paraphernalia of the Central Agricultural Department, the local Agricultural Department, the Director of Agriculture and the whole army of officers tucked on to the Imperial Council of Agricultural Research, think that they do a great deal, but the result, so far as I can see, is absolutely nil, and it has not yet been able to devise a scheme; whereas, when the Reserve Bank comes into existence, the whole scheme is expected by serious minded men to come out, as they say, from Jove's head one fine morning and then everybody is going to be happy. No, Sir, not three years, but 30 years we may wait and yet the Reserve Bank will have no scheme to bring forward. Why, not because they do not want to do it, but because they do not understand it. These eight Directors who are being elected by the shareholders, and the Governor who is going to be appointed, not because he is an agricultural expert, not because he is a landholder, not because he knows the conditions existing in this country regarding agricultural credit, but because he is a man of tested experience in banking business which I accept is an absolutely unsatisfactory qualification, that is only by the way, I ask what can these gentlemen do? Thirteen gentlemen,—thirteen is a very unlucky number,

An Honourable Member: Fourteen.

**Raja Bahadur G. Krishnamachariar:** Usually with Englishmen 13 is a very unlucky number. With us 3 is very unlucky, but with Muslims, 3, 9, 13 and 18 are very unlucky numbers. I ask, what can these gentlemen do? I have no complaint against them. They may try to do their best, but in the end they will not be able to do it. So, for God's sake, as the Reserve Bank is not going to come into existence for another year, there is absolutely no reason for this hurry. You might have framed a scheme, if you really wanted, on the Central Banking Inquiry Committee Report. There are lots of materials which will enable you to come to a conclusion regarding this and I respectfully submit that it is the province

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of the Central Agricultural Department with their highly paid staff to try and frame a scheme by which the rural credit, to which my Honourable friend, Mr. Raju, referred, might be embodied in this Bill when this Bill starts. That will give me satisfaction and that will impress upon the agricultural population, which forms the mass of the population of India, that after all something is going to be done to them. Sir, talking of the facilities regarding agricultural operations and the payment of Government demand by the agriculturists, there is no reason why some of these indigenous bankers and *sahukars* should not have been inserted in the Schedule. The Central Banking Inquiry Committee has made proposals extending from, I believe, pages 106 to 110. There is not any indication of it in the London Committee,—I do not know if it was within their purview, they are all big men and these small things like the interests of the agriculturists do not trouble them,—there is no indication that the London Committee have dealt with this problem. I should like to know why my Honourable friend, Sir George Schuster, did not take that into consideration when he framed this Bill. The Government spent a lot of money on this Banking Inquiry Committee and they went round the whole country and brought out a report—I do not know where the report has gone. It is perfectly true as my Honourable friend, Mr. James, has said that if these gentlemen have been rationalised it would be a good thing. The Honourable the Finance Member said that if they were rationalised, then they automatically come into the scheme and then they do not want anybody's favour. We say the Bank should find out a way by which these indigenous banks and the *sahukars*, some of whom individually can purchase most of the scheduled banks which I find in the Schedule, I say that these indigenous banks and the *sahukars* should be roped in.

Another point that has been troubling is the question of ratio. I am not going to discuss the merits or the demerits of the question of ratio, because, in the first instance, I do not understand it and if you view it impartially, from the point of view of the agriculturists, then the lower ratio is very good. Some gentlemen, *viz.*, Mr. Benoy Kumar Sarkar, for instance, contest even that position and he has issued a brochure where he shows that £0-1-6 ratio has been greatly beneficial to the country and he gives figures from the export trade and reduces them in terms of rupees and points out how the thing has been going up. It is impossible for me to understand it and, even if I do, it is irrelevant from one point of view to discuss it in connection with this measure and, if I may respectfully say so, it will be a waste of time. But there is one thing to which I must invite the attention of this House. It is said here that the provisions of this Bill relating to it are only intended to indicate the existing condition and no change is intended to be made in the ratio and, therefore, they are not of much consequence. But the provisions are not so innocent as that. What we want to know is the condition existing now. Under an executive order, passed in 1931, the rupee has been linked with sterling at a certain rate and it continues whether your Reserve Bank comes into existence or not, unless the ratio has been altered by an executive order or by an Act of the Legislature. Then, may I ask, why you want to insert this provision in the Reserve Bank Bill? Is there already whether your Reserve Bank is brought into existence or not. The thing is there until it is amended. I ask respectfully: why insert clauses 40 and 41 in this Bill? I am a man-in-the-street, and I do not understand these problems of high

finance and to me it seems that, whereas in the Indian Currency Act the rupee was linked to gold of one shilling six pence, now one shilling six pence is linked to sterling. There has hitherto been no Statutory declaration that one shilling six pence is linked to sterling.

**The Honourable Sir George Schuster:** First of all on the last point, there is a Statutory provision linking the rupee to sterling. If my Honourable friend will read the Currency Act of 1927, he will find that the Government of India are under a Statutory obligation either to provide 1s. 6d. gold or 1s. 6d. sterling for every rupee and, therefore, the present position is the one which exists without any further Statutory provision. On the second point he asked, I would like him to read the Bill, and he will find that, on the Act coming into operation, the existing Currency Act is to be repealed. That is necessary because the Reserve Bank has to take over all the functions laid upon Government in the existing Currency Act. That was why it was necessary to lay down, in those two sections, the actual ratio which, as my Honourable friend has quite rightly pointed out, is already provided for in the existing Currency Act.

**Raja Bahadur G. Krishnamachariar:** Even then there is this little difficulty which I raised at the commencement of my argument, namely, the right to amend. Supposing you repeal the Currency Act as it is by the last clause of the Bill, then, what remains, is the provision in the Reserve Bank Bill regarding this exchange. Apart from the consideration as to what it would be at the time when the Act comes into force, the position is that you can never change it except with the consent of Parliament. England is a country which imports raw materials and exports finished goods. We are just the contrary. What would suit England would not suit India and Mr. Churchill said the other day that if trade with India goes our Empire goes, and nobody wants to lose an Empire. Consequently, if you repeal the Indian Currency Act and if, in place of the Indian Currency Act, you put this provision in the Reserve Bank Bill and if my contention, as interpreted in the evidence of the Secretary of State, is correct, that you cannot amend this Act except with the consent of Parliament, then 1s. 6d. is fixed for ever unless the Parliament agrees to the amendment.

**The Honourable Sir George Schuster:** May I point out to the Honourable Member that the position would be exactly the same if the Currency Act is left in operation. That is also covered by para. 119 of the White Paper:

**Raja Bahadur G. Krishnamachariar:** Para. 119 of the White Paper says "the Governor General at his discretion". I am very sorry or I am glad that the interruption has been made. Para. 119 says that the Acts among which the Currency Act would come in the future Legislature could not be amended except with the previous sanction of the Governor General at his discretion. Does it mean, is the explanation of the Honourable Member to this effect, that the Governor General at his discretion means the Governor General's discretion as commanded by the Secretary of State or as pulled from behind by the interests of the City of London? Then, that makes the case worse. But I am quite prepared to reckon with this position for this reason. The Reserve Bank Act is evidently not going to

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come into force, and if I can bring pressure to bear upon the Governor General between now and the passing of the Constitution Act,—I do not say I will succeed, but it is quite possible in view of the widespread demand in the country regarding the devaluation of the rupee or whatever they call it or the lowering of the rate of exchange which would help the agriculturists,—I say it is quite possible for me to amend that Act. If it is only a statement of existing conditions for which there is ample Statutory provision in the Indian Currency Act,—which I am sorry I fail to notice and I beg the Honourable Member's pardon for making a statement which does not seem to be quite accurate,—why do you want to put it when it is merely, as far as I can see, a surplusage in this Bill? That, Sir, is my position with reference to these two clauses. I have tabled an amendment and for the rest I shall see what happens when it does come. There is only one other clause regarding which I have got an objection, but I think I will raise it as a matter of amendment, and that is the power to make rules. There is a little book written by the present Lord Chief Justice of England, "The New Despotism". I would very earnestly commend the careful attention of Honourable Members to that book to realise how departmental legislation can completely over-ride the intention of original Statutes; and with all good will when the Department or, in this case, the Reserve Bank or its executive finds that certain things are necessary, they always find some way or other by which to enact that. It is perfectly true that it is subject to the sanction of the Governor General in Council. I should be sorry to say that the Governor General would sanction anything that a clerk puts up in his note which everybody else had passed. There is a little story about it. In the Board of Revenue, Madras, a certain proposal came up and the clerk, whose business it was to deal with things of that sort, said: "For orders", and passed his note to the First Assistant. The First Assistant thought that the man had written a note, but he never saw it and simply initialled it. It went to the Secretary who also initialled it. Nobody saw that it was for orders and then it went to the Member of the Board of Revenue and he also initialled it. The practice in the Madras Board of Revenue is that from the Member it goes straight to the copyists' section in order to copy the order. It went to the head copyist, but he did not see any orders and took it to the First Assistant and asked what he was to type. Then began a whole series of references and orders. I do not say that this sort of thing happens always, but it happens sometimes; and in an institution like the Reserve Bank, when certain rules are proposed, they will pass them and be done with it. That will be the position and I shall develop it in connection with my amendment. These are the considerations that I respectfully submit for the consideration of the House upon this general consideration of the Bill.

**Rai Bahadur Raja Gopal Bishore.** (Lucknow Division: Non-Muhammadan Rural): Sir, I do not want to deal in my speech with regard to the controversy whether the Reserve Bank should be a Shareholders' one or a State one, but I would simply remind that in 1925 we had the Royal Commission on Indian Currency and Exchange. That Committee went into this question and the report was submitted in August, 1926. The Committee recommended amongst other things the creation of a Central or Reserve Bank which, in their opinion, would be a Shareholders' Bank. They also stated another very important point which is under discussion today that the Bank should be immune from political influence. Sir, as long as provision is made that the Reserve Bank will function in the

best interests of the poor people of this country and will grow into a confidence inspiring institution, I shall be satisfied with the scheme irrespective of the fact whether it is a Shareholders' one or a State one.

Sir, belonging to the landowning class, I am greatly interested in this Bank doing everything possible to improve the lot of agriculturists in this country. In any scheme of the Reserve Bank, I think the interest of the agriculturist, who is the mainstay of this country, should be supreme and, therefore, I strongly support the suggestions made in this House to establish direct contact between the Reserve Bank and the rural-societies established for the purpose of improving the lot of the agriculturists in this Act. In my humble opinion, this ought to be done as soon as possible and not put off for years as is suggested in the Bill. Sir, India is primarily the land of agriculturists. Any scheme of central banking, which does not take them into account, cannot meet our requirements to the fullest extent. Any scheme which makes the financial condition of the agriculturists easy must be welcomed. It is in this hope that I appeal to the Honourable the Finance Member, who is unquestionably one of the ablest financial experts of India, to consider favourably the recognition of agriculturists' banks and land mortgage banks. I further appeal to him to give to India the benefit of his entire ability and wisdom in solving this difficult problem.

Sir, one other thing which I see in this Bill is that the United Provinces has been entirely ignored though it is a very important trading centre, specially with the development of the sugar industry. I think it is only fair that a local committee should be appointed for the United Provinces and that it may be located in one of the important centres, either at Lucknow or Cawnpore. The latter place has rightly been pointed out by my Honourable friend, Mr. Bagla, that it is the Manchester of Northern India. Sir, I do not mind which place, but I certainly think that the United Provinces should have a local committee of its own, because it is a very important centre and, with the development of many industries in the next few years, we would all appreciate it if a local committee is appointed for the United Provinces.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 30th November, 1933.

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## LEGISLATIVE ASSEMBLY.

*Thursday, 30th November, 1933.*

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

### THE RESERVE BANK OF INDIA BILL.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of the Reserve Bank of India Bill.

**Mr. K. C. Neogy** (Dacca Division: Non-Muhammadan Rural): Sir, I think I must begin by congratulating the Honourable the Finance Member, although he is absent from his seat just now, firstly on his good fortune in not having been the Finance Member in 1927, and, secondly, on the acquisition that he has made of a valiant champion in my Honourable friend, Diwan Bahadur Ramaswami Mudaliar. I do not grudge him the few pleasantries which he introduced into his speech while making the present motion at the instigation of the Bengali Law Member. We had a previous Finance Member presenting another Joint Select Committee's Report in 1927, and that Finance Member could not afford to indulge in pleasantries. I remember him trembling in nervousness while he rose to make his motion, and more than once our late lamented President, Mr. V. J. Patel, had to inquire from him whether he was speaking in support of his motion or against it. (Laughter.) We had a Bengali Law Member also at that time. (A Voice: "Always.") (Laughter.)—I claim a sort of vested interest in that job for my province. But he did not have the courage to suggest that well-known Bengali joke which my Honourable friend, the Leader of the House, did to the Finance Member, because, on that occasion, the fruit in the shape of the Majority Report was the production of the Non-Officials and the stone—and it was a fair-sized stone at that—was the only contribution of the Government. My Honourable friend has referred to the ease with which he can dispose of the numerous small stories that form part of this report. The method of disposal of that stone in 1927 was somewhat heroic: it had to be swallowed by its author. Times have changed and nowhere is the change felt so much as in this House, and my Honourable friend triumphantly points to the London Committee Report and uses as a trump card the names of three gentlemen whom he described as three of the ablest members of the last Joint Select Committee who were parties to that Report. Now, when I first of all got a copy of that report marked "confidential"—although I find that a corresponding publication was being sold in London by His Majesty's Stationery Office for 9d. to any one who thought it worth that amount—however that is the way of our officials in India to mark these things confidential—when I got that "confidential" document and I turned to the signatures; I found that there was one signature missing there and instead there is this foot-note . . . .

**Mr. F. E. James** (Madras: European): It was not confidential: it was published in the *Indian Finance*, I think.

**Mr. K. C. Neogy**: They may have got it from the London Stationery Office. This is the foot-note:

"Mr. Ramaswami Mudaliar has signed on behalf of Mr. Iyengar in regard to all matters on which agreement was reached before Mr. Iyengar left for India."

I am surprised that so wide-awake a person as my Honourable friend, Diwan Bahaur Ramaswami Mudaliar, so alert a person, forgot to append Mr. Iyengar's tour programme as part of this report along with the daily progress Report of the Committee's discussions. So I was left in doubt as to which points my friend, Mr. Rangaswami Iyengar, had actually agreed. But we were not kept in doubt for very long, because a very large portion of my Honourable friend, the Finance Member's speech at Simla consisted of an extract from the editorial columns of the *Hindu*, and I understand my Honourable friend is a very diligent reader nowadays of the editorials of that newspaper. I do not know whether you are going to pull me up, Sir, for disclosing what I understand happened in the Select Committee. Although I was not a member of the Committee, I understand that the editorials of the *Hindu* loomed very largely there too as a great reinforcement of the Government position. There are two other gentlemen, two belted knights from Bombay, who also are parties to this report, one of whom I find has, since leaving the shores of England, grown wiser and has published a document which he styles "Notes on Minutes of Dissent on the Report of the Committee on the Indian Reserve Bank Legislation". When I saw that, I was naturally looking for the "minutes of dissent" on which these were supposed to be notes; but I could not discover any. However it shows that the spell of London atmosphere began to wane on him soon after he left the shores of England, and he is his old self again . . . .

**Mr. F. E. James**: It always does when you get away from London.

**Mr. K. C. Neogy**: I am waiting very anxiously for a similar recantation from the other gentleman who is an Honourable Member of the other House. My grievance against these gentlemen is not that they hold any particular set of views at any particular moment, but that they have, so far as I know, individually and collectively not cared to explain to the Indian public as to the change in circumstances between 1927 and 1933 which has brought about this change in their own outlook. I, as a Member of the Legislative Assembly, who, following the lead of some of these gentlemen in 1927, along with you, Sir, took a particular step when the Reserve Bank Bill was under consideration, and I certainly have every reason to be aggrieved at the manner in which these gentlemen have changed their views without letting us know the grounds on which they have done so. Now, Sir, supposing these gentlemen had compromised on this particular issue of State *versus* Shareholders' Bank in 1927, I am quite sure, we could have got a much better Bank than we are likely to get if the Government proposals now get through, and that Bank would have been in operation today, quite a successful institution perhaps,—and who knows,—the economic history of the past few years might have been written in a different way if that Bank had been set up on that occasion. If these gentlemen are really of the opinion that the present scheme is better than the one which they induced us to advocate on that occasion, why don't they state the reasons that have led them to form this opinion.

Sir, when my friend, the Diwan Bahadur, was speaking yesterday, I seemed to be taken back to my old class-room while I was a student, and this morning I find that a similar impression was created on the Press Gallery too, and a leading newspaper of Delhi has characterised his speech as a post-graduate discourse. I entirely agree that my Honourable friend has made very laborious researches into all the literature that exists on the subject, but unfortunately he proceeded more on academic lines, more on suppositions and theories than on the hard facts of the situation in India. That is my grievance against my friend, if I may say so. Now, Sir, I am fortified by the authoritative opinions of distinguished lawyers like my friends, Mr. Aggarwal, Mr. Sen and Mr. Puri, that it is possible to spoil one's case by trying to prove too much. That was also one of the impressions left on my mind after hearing my friend the Diwan Bahadur's speech yesterday. As far as I could make out, he said that the only material difference between a State Bank and a Shareholders' Bank consists in the source from which the capital comes; beyond contributing the capital, the State is not expected to exercise any more control or have any more voice in the governance of a Central Bank than would be the case if it were a Shareholders' Bank. If that were the only difference between a State Bank and a Shareholders' Bank, I really cannot make out as to why is it that this question is being agitated not merely in India, but all over the world. My friend, and I have great respect for his deep erudition, said that the present tendency all over the world was to go in for a Shareholders' Bank in preference to a State Bank. My friend has great opportunities of studying these questions at first hand. I have to depend upon what literature there may be on the subject. Now, this is what I find in one of the latest books on which I could lay my hands, a book written by nine economists from Oxford in collaboration and published in 1933. This is what the authors say about the trend of things so far as this question goes all over the world . . . .

**Mr. F. E. James:** Who is that particular author?

**Mr. K. C. Neogy:** Mr. G. D. H. Cole.

I apologise to the House for having to make a somewhat longish extract, but as I have not got the hardihood of depending upon my authority for any statement on this matter, I should like to draw support from some of the authoritative sources that are available to me . . . .

**The Honourable Sir George Schuster (Finance Member):** What is the name of the Book?

**Mr. K. C. Neogy:** "What everybody wants to know about money",-- including Finance Members, I suppose. (Laughter.)

"In the more advanced industrial countries",--(begin the authors).--"and especially in Great Britain",--(mark)--"there is in recent years an acute controversy over the question whether banking and financial institutions ought to be left in private hands or to be transferred to some form of public ownership and control. Banking is, it is urged, above all in the modern world the key industry which affects every other, for no industry can be carried on without adequate supplies of credit, and these the banks alone are, under modern conditions, able to provide. Accordingly the banks have to a great extent in their hands the shaping of the national industrial system; for they are in a position not only to make credit in general cheap or dear, and scarce or abundant, but also to direct credit to one industry or firm rather than

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another, and so to cause to prevent industrial expansion in that or that field. A national planning authority, if it were unable to exercise control over and through the banking system, would, it is urged, be wholly unable to make its will effective or to impose any coherent direction upon the general course of economic policy." *Further on they say*—"The demand for some form of socialisation of banking has not, however, even in Great Britain, been confined entirely to socialists. For a number of non-socialists, including some who are bitter opponents of Socialism, have urged strongly the socialisation of the Central Bank. These non-socialist advocates of banking reform are for the most part as strongly opposed to any public ownership or control of joint stock deposit banking as they are favourable to public ownership and control of the Central Bank."

Now, Sir, they go on to discuss the Central Banking systems obtaining in other parts of the world including the Federal Reserve System which is entirely a State controlled institution in the United States, to which I don't think my friend made any great reference in his speech yesterday . . . .

**Mr. F. E. James:** May I interrupt my Honourable friend for one moment? Does not the writer in that same chapter make a clear distinction between a State Bank which is directly controlled by the State and a Bank which is established by a public authority under State control? I think that even he makes that distinction there.

**Mr. K. C. Neogy:** Of course, the distinction is there . . . .

**Mr. C. S. Ranga Iyer** (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): And does he not further point out that a State Bank by itself cannot be a success unless the other banks are also socialised . . . .

**Mr. K. C. Neogy:** No, he does not say that definitely.

**Mr. C. S. Ranga Iyer:** Yes, he certainly says so.

**Mr. K. C. Neogy:** But what I want to point out is, that what my friend, the Diwan Bahadur, was saying regarding the tendency everywhere being in favour of a shareholders' bank is not a fact. I do not care what opinion this particular author holds, but when he points out that even non-socialists are agitating on this particular question as to whether the central banking institution should be a State or a Shareholders' Bank, I am entitled to point out that what my friend said yesterday was not quite accurate, at least it is not supported by all the authors on the subject. And when he said that the only difference between a State Bank and a Shareholders' Bank consisted in who supplied the share capital, I do not think my friend was quite correct in his statement, because, if the difference was only that, why should there be any such controversy over such a minor matter?

Now, Sir, coming back to my point, I said that my friend had actually spoiled his case by trying to prove too much, because in the end he said, if you make a comparison of the constitution, as envisaged in this Bill, with the constitution of a State Bank as in Australia, and if you compare particularly the control which the State possesses, whatever little control it possesses, over the Central Bank in Australia with the control, which is provided for in this particular Bill, then you will see that we have got all the control which the Government in Australia exercise over their own

State Bank. He, again, turns round and says, examine it as a Shareholders' Bank, see what control the shareholders have got; it is a truly democratic control, there is no official control at all, and that makes it an ideal institution. Now, Sir, we are left in doubt as to whether under this Bill we are going to have a State Bank or a Shareholders' Bank after listening to my friend, Diwan Bahadur Mudaliar. If it is really the position that all the control which the State authority has over a State Bank is being provided in this Bill over this Shareholders' Bank, then why call in the shareholders at all for the mere privilege of doling out their dividends? Why not furnish the capital yourself and say that the 1½ crores of deficit which the exchequer will suffer by reason of the setting up of the Reserve Bank, as was pointed out in a memorandum placed before the Joint Parliamentary Committee by Sir Malcolm Hailey and supported by the Secretary of State himself . . . .

**Sir Cowasji Jehangir** (Bombay City: Non-Muhammadan Urban): Is that correct?

**Mr. K. C. Neogy:** The loss of receipt from coinage and all that; of course, it will be a temporary loss, but it will be a loss in the beginning.

**Sir Cowasji Jehangir:** If the Honourable Member had seen the amendment made in the Bill, he would have realised that that loss will not now be suffered. I think the Finance Member will agree with me in what I say. There is an amendment in the Bill to that effect.

**Mr. K. C. Neogy:** The Finance Member said that the State was going to furnish the reserves by adding to the national debt. I think that is the point to which my Honourable friend refers. Even then he is going to find interest.

**The Honourable Sir George Schuster:** My Honourable friend, the Leader of the Independent Party, is perfectly correct in saying that the alteration which we have now made in the Bill does get over the whole of the difficulty pointed out by Sir Malcolm Hailey in that memorandum to which my Honourable friend has just referred.

**Mr. K. C. Neogy:** May I take it then that, so far as the exchequer goes, the creation of the Reserve Bank will not in the least affect its position?

**The Honourable Sir George Schuster:** Not appreciably. The point is this. First of all, the Bank will be liable for paying dividend on the shares which cannot be more than six per cent,—30 lakhs. It is a question as to how much of that six per cent. will be provided by the banking profits of the Bank, but we imagine that, by the time the dividend reaches 30 lakhs, the banking profits of the Bank ought to be great, and, therefore, no burden will fall on the profit which would otherwise go to Government. The only other avenue through which any effect on Government's revenues might come would be if in a subsequent year something had to be set aside from the profits to make up the five crores reserve back again to its original figures. If the reserve had to be drawn upon and made up again, then there would be a reaction on Government's revenue from the currency profits. Therefore, I could not go so far as to say that it will have no effect, but I am correct in saying that it will have no appreciable effect.

**Sir Cowasji Jehangir:** Did I understand my Honourable friend to say that if that five crores was decreased due to a depreciation in securities—that is what he is alluding to—the Government would again have to make it up to five crores and, therefore, the Government's revenues would not suffer?

**The Honourable Sir George Schuster:** No. The point is that the reserve will have to be made up again to five crores out of the profits of the Bank, and, therefore, as the main profits of the Bank will be currency profits, that would amount to a deduction from receipts which would otherwise, under the present system, accrue to the Government's budget.

**Sir Cowasji Jehangir:** That would only be in case of a great depreciation in the securities.

**The Honourable Sir George Schuster:** Yes.

(At this stage Mr. Vidya Sagar Pandya rose in his seat.)

**Mr. President** (The Honourable Sir Shanmukham Chetty): The full implication of the proposal of the Committee for the creation of treasury bills in order to build up the reserves can only be discussed when the clause is reached, and not across the table like this.

**Mr. Vidya Sagar Pandya** (Madras: Indian Commerce): Simply for information, Sir. Is not this present of five crores to the Bank meant to give one per cent. extra to the Bank's shareholders? And that will make not six per cent. but really seven per cent.

**Sir Cowasji Jehangir:** No, not a bit of it.

**Mr. K. C. Neogy:** I have no desire to pursue that particular point having regard to your ruling. I would, therefore, come to the point as to whether, in the scheme before us, we are providing for any real control by the shareholders as was contended by my Honourable friend, the Diwan Bahadur. Let us begin from the very beginning. Who are to be entitled to hold shares in this particular concern?

I draw the attention of the House to clause 4 of the Bill. We have provided that a shareholder shall be one who may be domiciled in India as an Indian subject of His Majesty or as a subject of a State in India; or a British subject ordinarily resident in India and domiciled in the United Kingdom, and so on. When you come to sub-clause (c), we find that among institutions, apart from persons eligible for becoming shareholders of this Bank, are included companies registered under the Indian Companies Act, 1913, without any qualification whatsoever. That is to say, although we insist upon residence, at least temporary residence, in the case of British subjects to be an essential condition of shareholding of this Bank, so far as companies registered under the Indian Companies Act are concerned, they need not fulfil that condition; in other words, the mere fact of registration in India gives all the shareholders of a company the benefits of domicile which is prescribed as an essential qualification for individuals. The result of this will be that foreigners, non-British foreigners I mean, and British subjects non-resident in India have only to register themselves into a company under the Indian Companies Act and they would be entitled to hold shares in the Bank. I am again surprised that this particular point escaped my lynx-eyed friend, the Diwan Bahadur.

**Sir Cowasji Jehangir:** It did not escape the attention of the Select Committee. If the Honourable Member will read the Report, he will find an allusion to it.

**Mr. K. C. Neogy:** But I did not find much light apart from a statement saying that, if any such thing were to happen in the future, we would see about it. That is all. In the Joint Parliamentary Committee, I find that people there with their usual meticulous care examined this point, and even the Secretary of State came to the conclusion that such a contingency should be guarded against. This question arose in connection with the Secretary of State's note on commercial discrimination. In that note there was a clause to this effect:

"In the case of a company which is or may hereafter be incorporated in India, British subjects domiciled in the United Kingdom will, subject to so and so, be deemed *ipso facto* to comply with any conditions imposed by law on the company in respect to the domicile, residence, duration of residence, language, race, religion, descent or place of birth of its directors, shareholders, agents, or servants."

This point was referred to by Mr. Jayakar when he put the following question to the Secretary of State. He said:

"Under the operation of clause 4, (*clause 4 being the clause which I have just read out*) as you have worded it, resident in the United Kingdom who have never resided in India would be entitled to that provision?"

The Secretary of State's reply was as follows.

"If that is so, I think it would be a case for rather more rigid drafting and ensuring the Reserve Bank conditions."

(Rigid drafting which the Joint Parliamentary Committee did not do!)

"Moreover, Mr. Jayakar will remember that as the Reserve Bank Bill will be passed before the Constitution comes into operation, any conditions laid down in the Reserve Bank Bill will be safeguarded."

The Joint Select Committee on this Bill have failed to lay down the particular condition which the Secretary of State himself is prepared to support and safeguard in the Constitution Act.

Now, Sir, Mr. Zafarulla Khan followed up the point in the following question:

"Secretary of State, with reference to the second consideration that you have put forward, as regards the Reserve Bank Bill, that the Bill will have become a Statute before the new Constitution comes into force, supposing after the coming into force of the new Constitution, a block of shares in the Reserve Bank were sought to be acquired by somebody who under your definition in clause 4 of your memorandum could be regarded as a domiciled Indian or an Indian resident in India, would he be able to acquire that block of shares?"

The answer of the Secretary of State was as follows:

"The safeguard, Mr. Zafarulla Khan, would be that in that case the Board could refuse to register the transfer of the shares under the Act."

Now, Sir, the only provision that gave the power of refusal to register any transactions of this character was contained in a clause which has been deleted by the Joint Select Committee. Rather than provide a

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definite safeguard which the Secretary of State was prepared to support, they have taken away the discretionary power which the original Bill had incorporated to refuse to register such transactions. Now, Sir, my friends may say that this is an imaginary fear of mine, as there are not many companies of this character nor is there any likelihood of there being many companies in future of which the shareholders will be foreigners. I have in my hand a book, which ought to be familiar to the members of the Joint Select Committee, written by Mr. Sheokissen Bhatter, a very prominent businessman in Calcutta, and Dr. Nemenyi who, I understand, is a Hungarian, engaged in business in Calcutta. Now, this is what these two practical businessmen have to say with regard to this particular point as to whether our fears in this regard are altogether imaginary or not. I may tell the House in passing that these gentlemen are in favour of a Shareholders' Bank and, therefore, they were not criticising the Bill in a hostile attitude at all. They say as regards paragraph (c) of sub-clause (3):

"As regards para. (c) of sub-clause (3), it has to be pointed out, that on the strength of this para, a large number of shares could pass unnoticed into the hands of such foreigners, foreign banks, corporations or companies as are neither domiciled in India, nor are British subjects ordinarily resident in India and are also not banks, corporations or companies as described in para. (c). The possibility referred to is based on the fact that all or a majority of the shares of such companies, corporations or banks described in para. (c) can be entirely held by foreigners, who are neither domiciled in India nor are British subjects ordinarily resident in India. There are today a good number of such companies actually working in India whose shares are entirely in the hands of foreigners."

**The Honourable Sir George Schuster:** Has my Honourable friend got any amendment down to give effect to his views?

**Mr. K. C. Neogy:** Is the Honourable Member prepared to accept an amendment, if any were given?

**The Honourable Sir George Schuster:** I should want to hear what the Honourable Member has got to say about it before I commit myself, but I do suggest to my Honourable friend that these are matters on which it is possible to hold different views. They were fully considered in the Committee, but if my Honourable friend is displeased with the recommendations of the Committee, his proper course is to put down an amendment and let it be discussed in connection with the clause.

**Mr. K. C. Neogy:** If the Honourable Member wants to seriously consider an amendment, I or some of my friends would be ready to give notice of an amendment.

**Sir Cowasji Jehangir:** May I inform the Honourable Member that the Finance Member is not the only Member of this House? There are Members on this side who will also consider the amendments.

**Mr. K. C. Neogy:** The Finance Member has got a majority of votes in his pocket.

**Sir Cowasji Jehangir:** I doubt it. If the Honourable Member will put down an amendment which will meet his point of view, I think it will

receive the unanimous support of this House, notwithstanding the Honourable Members on that side voting against it?

**Mr. K. C. Neogy:** Unanimous support of the House?

**Sir Cowasji Jehangir:** Of this side of the House.

**Mr. K. C. Neogy:** Has my Honourable friend considered what the number of absentees is to-day?

**Sir Cowasji Jehangir:** That is our united fault. If there are absentees, we have got to share that blame between us.

**Mr. K. C. Neogy:** I will have the support of a united minority! Now, Sir, these are the institutions that will have the right to apply for shares, and when they make their applications, they are likely to get the shares, though not perhaps to the extent that they want. Therefore you cannot altogether exclude any foreigner, who may be a member of a company which may be registered in British India. So far as I am concerned, and many of my friends are concerned, we are in favour of restricting the right of membership of the bank at least to a very overwhelming extent to the natural born Indians who are either subjects of His Majesty or the Indian States, and when we come to amendments, we will have ample opportunity of discussing that point. Now, Sir, we have the applicants now. The applicants, let us take it, have made their applications; and then we come to the procedure which will be adopted for distributing the shares. The procedure is contained in sub-clauses (6) and (7). Now, sub-clause (6) proceeds on the assumption that the shares will be over-subscribed in point of numbers. Supposing there is over-subscription, what is the procedure laid down? Recourse is to be had to a kind of lottery. Now, my Honourable friend, the Finance Member, as also my friend, the Diwan Bahadur, are ready and willing to depend upon a spin of the coin for the purpose of determining the constitution of the shareholders' register. What is there to assure us that, when this lottery takes place, the successful Indian subscribers will bear a satisfactory proportion to the non-nationals as we desire to describe them. My Honourable friend, the Finance Member, said that from the practical point of view there is no ground to apprehend that fully 75 per cent. of the shares will not get into Indian hands. I do not know whether my Honourable friend has been pursuing astrological studies in the intervals of his business; otherwise, when, in the event of the shares being over-subscribed, you depend upon lottery, how can you say positively that 75 per cent. of the shares are bound to go to Indians. Now, Sir, supposing the shares are not over-subscribed, what happens:

"If the number of such applicants is less than one-fifth of the number of shares assigned to the register, the Central Board shall allot the remaining shares firstly, up to the limit of one-half of such remaining shares, to those applicants who have applied for less than five shares, and thereafter as to the balance to the various applicants in such manner as it may deem fair and equitable, having regard to the desirability,"

and so on. Here we are deliberately trying to sterilise a proportion of votes. I do not know what the number of such sterilised votes would be, because no one, holding less than five shares, will be entitled to vote.

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The second preference in such circumstances will go to those persons who apply for less than five shares, or, in other words, we are definitely contemplating the sterilisation of a certain proportion of shares. Now, if you sterilise a proportion of shares, the proportion being an X quantity, an unknown quantity, how are you going to be sure as to the proportion of nationals who will have an effective vote as laid down in this particular clause. Who knows that a very large proportion of Indians would not come under this particular provision whose votes would be quite sterilised.

My Honourable friend, the Diwan Bahadur, said that you would get a much more democratic constitution under this Bill than you could possibly get under a State Bank. Now, I will leave it to my Honourable friend to tell us as to how he is going to secure that democratic basis for this Bank, how he is going to assure this House as to the proportion of nationals to non-nationals. I do not know whether my Honourable friend lays any stress on that point, because I do not remember if he referred to that yesterday. But we, who do attach very great importance to the control over this Bank, whether it is a State or a Shareholders' Bank, to be confined predominantly to Indians, cannot overlook the uncertainties of the situation as is contemplated in these two sub-clauses 6 and 7.

Now, let us come to the question of the control and management of the Bank. I draw the attention of the House to clause 7 of the Bill. The marginal head-line is Management. It runs as follows:

"The general superintendence and direction of the affairs and business of the Bank shall be entrusted to a Central Board of Directors which may exercise all powers and do all acts and things which may be exercised or done by the Bank and are not by this Act expressly directed or required to be done by the Bank in general meeting."

Now, I am told that the word "direction" has not been defined in any legal lexicon. "Superintendence" is a term which is in use in certain Statutes; I think it is in use in the Indian Companies Act, but the word "direction" introduced by the Joint Select Committee does not seem to improve the position, because we do not know what the connotation of this term is according to the legal interpretation. Now, if it is to be justified on the footing of a genuine Shareholders' Bank, I for my part would have expected to find some words in this clause which would give the shareholders the right to control the Directors in regard to the business of the Bank. If we refer to table A of the First Schedule to the Indian Companies Act, we find in section 71 of that table a corresponding provision which provides for the business and control being vested in Directors, but that control is subject to a very important limitation and that is this:

"The business of the company shall be managed by the Directors. . . . subject to such regulations . . . . (I leave out irrelevant words) as may be prescribed by the company in general meeting."

That is to say, in the ultimate resort, it is the body of shareholders who are responsible for the management of the company, and the Directors can carry out the day to day administration of the company subject to that supreme control of the shareholders. My Honourable friend said yesterday that here we have a scheme in which the shareholders will have genuine control and that is the merit which he has claimed for a Shareholders' Bank. Now, may I invite my Honourable friend to assist me to understand as to where it is that this provision for the control of the shareholders is to be found in this Bill. I have tried

to read the Bill as carefully as I could, and the only reference to the point I find is in clause 57 which gives the power to make regulations consistent with this Act to the Central Board with the previous sanction of the Governor General. Sub-clause (d) refers to regulations concerning "the manner in which general meetings shall be convened, the procedure to be followed thereat and the manner in which votes may be exercised". Sub-clause (e) refers to regulations concerning "the manner in which notices may be served on behalf of the Bank upon shareholders or other persons". Sub-clause (f) deals with regulations concerning "the manner in which the business of the Central Board shall be transacted, and the procedure to be followed at meetings thereof". Sub-clause (h) deals with regulations concerning the "delegation of powers and functions of the Central Board to the Governor, or to Deputy Governors, Directors or officers of the Bank". But I do not find any specific provision as to what powers the shareholders will exercise except a slight reference to that point in sub-clause (c).

**Sir Cowasji Jehangir:** May I point out that the shareholders will have the same powers as the Honourable Member's constituents have over him?

**Mr. K. C. Neogy:** The Honourable Member's constituents have very real power over him.

**Sir Cowasji Jehangir:** So with the shareholders.

**Mr. K. C. Neogy:** Then I should like to know whether, if it is to be judged on the footing of a genuine shareholders company, the control vested in the shareholders is of the same character and extent as is vested in any company of which my Honourable friend and I are aware. My Honourable friend will have to satisfy me on that point before I can accept any statement from him. Clause (c) deals with regulations concerning "the maintenance of the share register, the manner in which and the conditions subject to which shares may be held and transferred, and, generally, all matters relating to the rights and duties of shareholders". These words are added more or less as an afterthought,—"and, generally, all matters relating to the rights and duties of shareholders". Now, who is going to prescribe these rights and duties of shareholders? Not the shareholders themselves, but the Central Board, with the previous sanction of the Governor General, will say what rights and duties these shareholders are to have. Remember, Sir, that in the first few years the Central Board will be a nominated body of the Government, and that body will, subject to the previous sanction of the Governor General in Council, prescribe the duties and the rights of the shareholders. My Honourable friend, with his extensive experience of company matters in Bombay, should tell us as to whether he is aware of any single company which has been incorporated on this footing, namely, that the Directors shall prescribe in whatsoever manner they choose the duties and the rights of the shareholders. My Honourable friend refers to the analogy of the control exercised by the electors over the elected Members of this House. I may tell him that that can be made to be a far more real control than would be the case under such circumstances where a body, which should really be the nominees of the shareholders, is to be entrusted with the task of saying what powers

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and duties are to be exercised by the shareholders, who are, according to my Honourable friend's own contention, to be the proprietors of the Bank.

**Mr. C. S. Ranga Iyer:** I am quite unwilling to interrupt, but surely my Honourable friend knows that once he is elected, his constituents have very little control over him until the next election.

**Mr. K. C. Neogy:** I dare say that is my Honourable friend's experience, but that is not my experience.

**Mr. C. S. Ranga Iyer:** What I have said is an obvious fact.

**Mr. K. C. Neogy:** Now, when we come to the composition of the Central Board, as I have already stated, during the first four years it will be a predominantly nominated body. The number will no doubt go on diminishing, but it will start with a wholly nominated body, and what powers are the shareholders to exercise during those years over the management when the Directors themselves will not be the nominees of the shareholders? I should like my Honourable friend, the Finance Member, to say what powers he contemplates to be given to shareholders under the contemplated regulation; and may I put a point to my Honourable friend, the Law Member, in this connection? Is it quite regular, apart from the question as to whether it is right, that such an important matter should be left to be framed by regulations? If it is a genuine Shareholders' Bank, should we not start with defining the rights and privileges of the shareholders? Or should this Legislature hand over that right of prescribing the rights and privileges of the shareholders to a body wholly nominated by the Governor General in Council in this manner? Is it right from the constitutional point of view that this should be so? Apart from that, may I also inquire whether it is technically correct to give this right of framing regulations under this omnibus clause when no such reference to the subject-matter is to be found in the previous sections as a substantive provision? That is to say, as we have not said in this particular Bill anywhere that the shareholders shall exercise such rights and powers as may be prescribed by regulations, is it enough to say that the regulations may provide for these matters among others? That is a point which my Honourable friend, the Law Member, would do well to consider.

**The Honourable Sir Brojendra Mitter (Law Member):** The Honourable Member ignores the important words in clause 57 (1). These regulations must be consistent with this Act. And what is it that they should provide for? They cannot roam at large, but are to provide for all matters for which provisions is necessary or convenient for the purpose of giving effect to the provisions of this Act. It is not the case that indeterminate powers have been given for framing rules.

**Mr. K. C. Neogy:** My Honourable friend's remarks are very helpful to me, because I want him to point out where is it that the Bill says that the shareholders shall exercise any powers? I quite agree that if you had said that, you could frame regulations to carry out that particular object; but the proper place would have been clause 7 where you define

the powers of management that the Directors will have, and I have already read out an analogous provision in the Indian Companies Act, where, in a similar provision, it has been said that the powers of management vested in the Directors shall be exercised subject to the control of the shareholders at a general meeting. It is for my Honourable friend, the Law Member, to say as to where that substantive provision is, giving any powers to the shareholders apart from the power of electing the Directors. What are their duties and functions at general meetings? Supposing during the first few years, when the Board is a nominated one, there is a difference of opinion between the shareholders and the Directors if the shareholders do not accept the balance sheet and the audited accounts, what happens? I do not want to labour this point any further, but I daresay, that the Honourable the Law Member would consider this point carefully.

Now, Sir, my Honourable friend said that if we had a State Bank, the Directors would be uncontrolled from above and unhampered from criticism from below. I want my Honourable friend, therefore, to tell me where is the control from above in a Shareholders' Bank which is provided in this particular Bill? I am not here to defend the stock-holders' scheme which has been put forward as an alternative by a minority in the Select Committee; but when I compare that scheme with the stock-holders' scheme which was agreed to by the Government in 1927, I find there is a good deal of difference between the two. Of course, I do not mean to suggest that Government did persist in that reasonable attitude in 1928, but the Honourable Member will find that there was a provision for election of a certain number of Directors by the Legislature; and the minority in the Select Committee had not the courage to put in that provision, with the result that, as they did not substitute any other form of representation which might be claimed to be popular, the scheme laid itself open to criticism of my Honourable friend as it did yesterday.

Now, Sir, there is another point which I had forgotten. What are the powers given to the shareholders for convening a general meeting? Is not that one of the common powers which are given to any Company, registered under the Indian Companies Act? Now, I find that in the Bill, as it stood originally, even the Directors were not given the power to call a general meeting and we must thank the Select Committee for having introduced an amendment to give some kind of a power to the Directors to convene a meeting of the Board. Now, Sir, my Honourable friend says that in the first instance the shareholders have a genuine control over the Directors and the Directors have a genuine control over the administration of the Bank. Having done with the shareholders' part of the control, I now come to the Directors' part of the control. How often are the meetings of the Board to be held? We come to clause 13 where it is said:

"Meetings of the Central Board shall be convened by the Government at least six times in each year and at least once in each quarter."

Does my Honourable friend think that this is the nature of control which can be justly described to be a genuine control exercised by the Directors over the executive in regard to their day to day administration? My Honourable friend himself perhaps said yesterday that in these banking matters conventions grow up, you cannot altogether define the powers of any particular authority connected with that institution only by the

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letter of particular provisions in the Act. Now, Sir, what kinds of conventions are likely to arise supposing the Directors are kept at an arm's length like this by the Governor and the Deputy Governor?

**Diwan Bahadur A. Ramaswami Mudaliar** (Madras City: Non-Muhammadan Urban): My Honourable friend will surely remember that there is a provision for a Committee of the Directors to be associated and for an application by the Board to be made to that Committee.

**Mr. K. C. Neogy:** But the Committee may be associated more or less in an advisory capacity.

**Diwan Bahadur A. Ramaswami Mudaliar:** No, it is the Managing Committee.

**Mr. K. C. Neogy:** But it is not a compulsory provision.

**Diwan Bahadur A. Ramaswami Mudaliar:** It is.

**Mr. K. C. Neogy:** Where is it? It is left to the Regulations to be framed in future.

**Sir Cowasji Jehangir:** You go on.

**Mr. K. C. Neogy:** Now, Sir, my Honourable friend made another point which I forgot to mention. He said, while referring to the unsatisfactory character of the stock-holders scheme in regard to the representation of the popular interests, that the Shareholders' Bank gives us a more democratic control. Now, how is it, then, that in the report, to which he was a signatory in London, he made provision for nomination of as many as four Directors? Does not that presuppose that the shareholders cannot be left to cover all the interests by election? These are the words of the report :

"In view, however, of the fact that in the particular circumstances of India, election may fail to secure the representation of some important elements in the economic life of the country, such as, agricultural interests, we recommend that a minority of the Board should be nominated by the Governor General."

That itself is an admission that election by a body of shareholders under this particular scheme cannot possibly satisfy the requirements of a popular basis for a Reserve Bank, and that is also reflected in some of the clauses of this Bill where we talk about nomination on the local board and the nomination of Directors. Now, Sir, there is a provision for the removal of the Governor by the Government.

What powers will the shareholders have with regard to the removal of the Governor or any of the Directors. In the scheme of democratic control which my Honourable friend, the Diwan Bahadur, advocates, is there any room for the shareholders exercising this kind of control? May I also remind my Honourable friends of the fact that if a Director wants to resign his office, he does not do it to the shareholders, but tenders it to the Governor General in Council. What kind of shareholders' Bank is this?

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Muham-madan Rural): It is not political influence.

**Mr. K. C. Neogy:** I will come to that later. I forgot to mention one thing that there is some difference in the provision of clause 11(2) and the comparable provision in the Blackett Bill of 1928. But let that pass. The Blackett Bill was more favourable to the shareholders' interests than this Bill; however, we will come to that when we come to consider the amendments. This sub-clause (2) says:

"Any such Director shall cease to hold office if, without leave from the Governor General in Council, he absents himself from three consecutive meetings of the Central Board."

What sort of democratic control of shareholders is this? My Honourable friend is anxious to avoid what he described as political control, not merely exercised by the Legislature, but also by the executive. I will tell my Honourable friend at once that it is not my case that the Legislature should exercise a meticulous control much less that the executive should in regard to the day-to-day administration of the Bank. That is certainly not my desire. But as my Honourable friend himself pointed out, this Bill itself gives the Government powers of control and supervision; and I counted the number of places in which the Governor General in Council finds mention, and subject to confirmation by my Honourable friend, Dr. Ziauddin Ahmad, I want to inform the House that there are no less than 75 places in which the expression "Governor General in Council" appears in the Bill.

**Mr. Vidyasagar Pandya:** 88 times.

**Mr. K. C. Neogy:** I stand corrected. I suppose my Honourable friend, the Diwan Bahadur, has no objection to the Governor General in Council appearing 88 times in the Bill.

**Dr. Ziauddin Ahmad:** It is not political influence.

**Mr. K. C. Neogy:** Of course not. We are legislating not for the present alone, but, as a matter of fact we are legislating more for the future than for the present, and while we consider this particular point, we cannot altogether ignore the position as it is sure to be when the new Constitution is brought into operation. And as sure as anything, all the control, which is now proposed to be given to the Governor General in Council, is going to be vested in the Governor General acting in his discretion, or, in other words, at the dictation of Whitehall, or, in other words, again, in the interests of the City of London. Is it the whole truth to say that the only idea why the Government want a Shareholders' Bank is to keep it free from political influence? Is it not also a fact that the interests of the City of London also demand restrictions and reservations of various character in regard to the financial administration of this country. I have no less an authority than the Secretary of State himself to cite on this particular point. In his evidence before the Joint Parliamentary Committee on the 5th October, 1933, numerous questions were put to him with regard to the provisions for the previous sanction of the Governor General being required as a condition precedent to legislation affecting currency and exchange being undertaken by the Indian Legislature. In the course

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of his examination on that particular point, Mr. Jayakar put very elaborate questions, and I again apologise to the House for having to make long extracts from this important statement made before the Joint Parliamentary Committee. This is how Mr. Jayakar made his statement:

"The reason why I am pressing this point, Mr. Secretary of State, is this, that there is a strong feeling in India that there is an intimate connection between the development of industries and agriculture, and the regulation of the currency, and, as you have transferred to the popular Minister's hands the Department of industry and agriculture, those two departments are so inseparably interconnected that no Minister can make much progress in industry and agriculture unless he has the power of regulating the currency of the country, and, as you have transferred one, it would not be wrong to transfer the other. That is the only reason I am driving the point." and so on.

This is what the Secretary of State said in reply:

"I do not object to Mr. Jayakar pressing the point. It is a very important point, and this has not gone by default. Although we realise that the points he has just made are very strong you have to consider the whole position. You have to consider the whole future of Indian credit. You have to consider (*and this is an integral part of the encouragement of industry to which he has just alluded*) a problem which is very urgent for India, namely, the problem of getting new capital. It has always appeared to me, the more closely I have considered financial questions in India, that the great need of India in the future is capital and it looks to me as if for many years to come the chief source of capital will continue to be London. I hope very much that the Indian capital will continue to be forthcoming, but, I believe, that for these great sums in the future it will be to the London market that future Governments of India will look, and, taking those very important considerations into account, we have felt that it was quite essential to put the credit of India above any kind of suspicion."

—It is not merely a question of political influence here in India, but India's credit must be above any kind of suspicion in the City of London—

"And in order to achieve that object, we did feel that these safeguards were necessary."

Then follows another question from Mr. Jayakar:

"But you will have a double protection, if you will allow me to pursue the point. You have now brought the proposal of a Reserve Bank which is free from political influence."

Then the Secretary of State goes on to say:

"The trouble is (*I have said this before*) that financial people are very conservative,"

—meaning the financial people of the City of London, our creditors in England,—

"and it was made very clear to me that this was a safeguard to which they do attach a very great importance, quite apart from politics."

what does my Honourable friend say to that? I say it is not the whole truth to say that, in providing for a Shareholders' Bank, you are actuated only with a desire to see that it is free from political influence. But there it is:

"That the City interests of London do attach very great importance quite apart from politics,"

—these are not my words. The Secretary of State goes on—

"and on that account, I feel that, chiefly in the interests of India, it is necessary, to maintain it."

I must give the Secretary of State the credit at least for honesty in making this admission. What is this shareholders scheme intended to do? The shareholders will not be any more than a smoke-screen for the Governor General acting at his discretion or at the dictation of Whitehall. That is the main reason why Indian opinion is so much opposed to this shareholders idea. They will have no genuine control over the affairs of the Bank and they are put up there merely as a smoke-screen, so that, when the Governor General, acting in his discretion, is substituted by the Governor General in Council mentioned in the Bill, the Bank may be worked entirely in the interests and at the dictation of the City of London.

**Major Nawab Ahmad Nawaz Khan** (Nominated Non-Official): May I ask a question? If we have a State Bank here, will not that also work at the dictation of Whitehall and in the interests of the City of London?

**Mr. K. C. Neogy:** I will satisfy my Honourable friend. As I said, we are thinking of the future when we expect to have some kind of responsibility at the Centre. And if it is a State Bank, whatever control is sought to be left to be exercised by the State under this Bill will be exercised by the Government of the day which will be responsible to the Legislature; and as Government are not prepared and as the authorities in England are not prepared to contemplate such a contingency, they are putting up the shareholders as a screen for the purpose of shielding the interests of the City of London which will be looked after, first of all, by the Governor General here and by the Secretary of State in London.

Now, Sir, one of the points which the Honourable the Finance Member made in Simla, when he referred the Bill to the Joint Select Committee, was this that it is extremely undesirable that the Governmental authority, who has got to find the money which he has to spend in carrying on the administration, should also have the machinery of manipulating the currency and credit of the country in his own hands. And the Finance Member added that when faced with the necessity of raising funds the temptation might be very great to manipulate the exchange rather than to go in for an honest scheme of fresh taxation; and that is the reason why a bank, free not merely from political influence but also from Government influence, was necessary and desirable, and that is the principle reason why we should have a Reserve Bank established in India. Sir, when my Honourable friend made that statement, he was evidently ignoring the fact that in the new Constitution the Governor General will be running a parallel government in this country. He will be no less interested in raising taxation for the financing of the departments which will be directly in his charge in the name of reserved subjects than the Ministers in charge of the other administrative departments. If anything, the revenues of the country will be swallowed up to a very large extent by the demands of the reserved departments for which the Governor General will personally be responsible under the White Paper scheme. Is this the Governor General who should be vested with the authority of exercising what control is provided in this Bill to be exercised by the Government of India at the present time? Will not his temptation to manipulate the exchange and currency of the country for the purpose of raising revenue be as great as that of the Finance Minister? Because, Sir, I find, again from the evidence given by the Secretary of State (the Under-Secretary of State I think was speaking for him in this particular instance), before the Joint Parliamentary Committee that in the first place the Governor General will look to the

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Finance Member for his resources; if he fails to get it, he will in the ultimate resort have the right to raise taxation. In what respect does the Governor General then differ from any Member of the future Federal Government in regard to the responsibility of carrying on the day to day administration of the various Departments, in regard to the privilege and the necessity of raising taxation, and in regard to the temptation that may be in their way to manipulate exchange and currency? Sir, we must not forget that it is not the same type of Governor General as we find in other Constitutions, with whom we are dealing when we contemplate the vesting of such enormous powers in the Governor General acting in his discretion.

Now, Sir, I apologise to the House for taking so much of its time. My Honourable friend, the Raja Bahadur, referred to the constitutional issue which looms large on the report of the Select Committee. The question is, what authority will this House have in future for amending this legislation? My Honourable friend has dealt with that point very fully, and I have no desire to go over the same ground again. But assuming that the position, as explained by the Finance Member on the authority of the Secretary of State, is correct, are we not entitled to a little more light on the point before we can be expected to proceed with this measure? This is what the Finance Member says:

"The Constitution Act will have to contain an Adaptation clause laying down how, when the constitutional changes at the Centre take place, the powers to be exercised by the Governor General in Council under the Reserve Bank Act will have to be exercised in the new constitution. If the British Government's proposals for the Constitution are accepted by the Joint Select Committee and if the Constitution Act in the Adaptation clause were to declare that certain powers exercisable by the Governor General in Council under the Reserve Bank Act were to be exercised in future by the Governor General at his discretion" etc.

Now, Sir, are we not entitled to know what are those "certain powers" which are at the present moment contemplated by the British Government to be left to be exercised by the Governor General acting in his discretion in the future, powers which we now in this Bill are expected to confer on the Governor General in Council? That is a point on which we think we are entitled to some light before we can be expected to place this measure on the Statute-book; because, what will happen is this. We on a certain understanding will be passing a measure clothing the Government of India with certain definite powers in regard to the administration and control of the Reserve Bank. In effect, by the Adaptation clause Parliament will be amending this Act of ours by saying which of those powers which we are leaving to the Governor General in Council will not be exercisable by the Government of the future. Sir, self-respect, if nothing else, of the Members on this side of the House demands that a clear explanation on this particular point should be forthcoming before we proceed with this measure. If it is the desire that this Legislature should have no effective voice in regard to this matter so far as the future Constitution is concerned, why not honestly make the life of the Bill only extend to the date when the new Constitution comes into being? Let Parliament take the responsibility for continuing the Reserve Bank Act thereafter by its own legislation. I would much rather have that than give a blank cheque, as it were, to the executive and to the British Parliament to be filled in at their will and pleasure in regard to the question as to how much of the power which we are now giving to the Government

as a whole will be available to the Government of the future, responsible as it will be to the Legislature, and how much of it will be taken away from the future responsible Government. That is the point

**Raja Bahadur G. Krishnamachariar** (Tanjore cum Trichinopoly : Non-Muhammadan Rural) : And yet tell the world that we are making it !

**Mr. K. C. Neogy** : Quite so : what is the use of calling it an adaptation clause ?

**Mr. B. R. Puri** (West Punjab : Non-Muhammadan) : An usurpation clause !

**Mr. K. C. Neogy** : As my Honourable friend says, it could be more appropriately called an usurpation clause. My Honourable friend said at Simla that it is very necessary to have Indian opinion with us in passing a measure of this kind : unless this measure is in a position to command considerable Indian support, my Honourable friend said, it would be of no use : the institution would break down in its practical working. I challenge my Honourable friend, the Diwan Bahadur, to take a plebescite in the country and find out as to whether the country will support him in regard to the Shareholders' Bank, or us who are advocating the idea of a State Bank, having regard to the fact that, in the guise of a Shareholders' Bank, you are installing the Grand Mughal at Whitehall in a position of complete authority so far as the credit and currency of this country are concerned.

**Mr. C. S. Ranga Iyer** : Sir, Mr. K. C. Neogy, the Leader of the Democratic Party, is, as expected of all democrats and those who lead a democratic party, exceedingly democratic in his point of view as regards the future financial administration of this country with the aid of the Reserve Bank which it is the intention of the Bill before us to inaugurate in an atmosphere of as much of available goodwill as one can secure ; and he quoted with a certain amount of satisfaction from a book, I believe eminently readable, called "What everybody wants to know about Money", edited by a socialist economist and a very competent writer, Mr. Cole ; and if Mr. Neogy had also read another book by the same authority "The Guide Through World Chaos", he would have found that while writing on the socialisation of the Central Bank, the Bank of England, the same authority observed that the public in England were of opinion that if the Bank of England were socialised, the purpose would not be served until the other banks were also socialised. It is a scheme of socialisation ; and if my friend, Pandit Jawaharlal Nehru, were the Leader of the Opposition today, instead of Sir Cowasji Jehangir, I am perfectly certain, he would have ridiculed Mr. Neogy's anaemic utterance on the floor of this House asking for a State Bank with the White Paper scheme in front of him. It is an anaemic utterance for if you are to have a State Bank in this country you must bring that State Bank into existence with a view to serving the purpose and remove the apprehensions that Mr. Raju in his closely reasoned speech placed before this House. An eminently agricultural country with close resemblance to Russia, not only in the multitude of its national superstitions and prejudices, but also in its poverty ; and if you are to deal justly with the agricultural people, abolish agricultural indebtedness and so forth and so on, you must have, if the State is to undertake the financial undertaking, as elaborately pointed out by both Mr. Raju and Mr. Neogy, though one from a constructive and

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the other from a destructive point of view, if this purpose is to be served, I think we have to abolish straightaway some of the money-lenders: I think all the banking work will have to be undertaken by the Government—complete socialisation of banks—when you can have a State Bank. I am not an apologist of Diwan Bahadur Ramaswami Mudaliar: for the very simple reason that he needs no apology: he can defend himself both in and outside this House, but his speech has caused some democratic surging on this side of my Party. Sir, after the great deal of learned dust which both Mr. Mudaliar and Mr. Neogy have raised, probably, I think, I, who have not been a member of these Committees, who has not had an opportunity to study things with the facility with which Mr. Mudaliar has studied them, I think . . .

**Mr. B. Das** (Orissa Division: Non-Muhammadan): You were a spectator in London?

**Mr. C. S. Ranga Iyer:** I am coming to it: I think I should not take very much time of this House. My friend, Mr. Das, with his usual inquisitiveness, inquires whether I was not a spectator in the London Committee. Mr. Das will admit, sometimes spectators see more of the game. I was in close touch with the London Committee through my friend Mr. Biswas, and occasionally attended the committee meeting myself whenever there was an important controversy, as for instance the ratio controversy raised by my old friend, Sir Purshotamdas Thakurdas; and it is that which makes me stand up with a certain amount of self-confidence on the floor of this House. I am very grateful to my friend, Mr. Biswas, who gave me all the information that was in his possession, and tried to give me as much light as I required from time to time, for I was suffering from all the delusions under which my friend, Mr. Neogy, is suffering. Mr. Neogy, while speaking, presumed that we here are a set of Tory diehards ready to prop up a scheme which is so unholy, planted as it is in the prestige of a foreign bureaucrat—the Governor General. I do not believe any one on this side of the House wants the domination of the Governor General in the administration of the Reserve Bank of this country. The purpose of a Reserve Bank is to eliminate the control of the Governor General as much as the control of the Legislature itself. That purpose, I should think, is served by the Bill before us to a considerable extent, because, I believe, if I have read the Bill correctly, neither the Governor General nor the executive can indulge in the luxury of day to day interference with the administration of that financial body. It is when this Legislature, at a misguided, probably over-zealous, time liked to interfere and proposed to interfere with the position of the State Bank, which Sir George Schuster's able predecessor gave us on that occasion, that Sir Basil Blackett dropped the State Bank Bill like a hot potato. Legislative interference will be as disastrous as bureaucratic or official or ministerial interference; and nowhere do I see in this Bill any proposition that the Governor General is entitled to day to day interference with the administration of the Reserve Bank.

The issue before us is this: do you or do you not want a Reserve Bank? We all know and we have no control over what has been decided, that

financial autonomy will be denied, if we do not agree to bring into existence this Reserve Bank. Do we or do we not want financial autonomy? It is perfectly true, we want complete Swaraj if we can get it. Who does not want to control the destiny of his own country? Who does not want that Indians should rule India as Englishmen rule England? But where are we today? In the Gandhi-Irwin Pact, the highest limit to which politics of a constructive kind could reach in this country, are there not clauses relating to safeguards. Unfortunately, but inevitably, we are considering a scheme under safeguards. The Leader of the Democratic Party spoke, as all democrats and enthusiastic patriots would like to speak, of a Reserve Bank Scheme in a self-governing country. If we want to follow the good old constitutional method as opposed to the civil disobedience method which includes the boycott of the Legislatures, we have willy-nilly to take half a loaf while pressing and continuing to press for the whole. I know the scheme is not satisfactory from various points of view. But what are we to do? Even the Mahatma, after the great battle that he had fought, thought it necessary to agree to safeguards, and here is before us a scheme of safeguards, safeguards which deny to us complete financial control and autonomy, safeguards which include a Financial Adviser in the scheme, safeguards which impose this Financial Adviser between the future Finance Minister and the Governor General. Have I not opposed here and out in the country, this imposition of a Financial Adviser? But my advice on this matter is this. The scheme, unsatisfactory as it is, must be taken by us, for we must have something to work upon. Let us work to improve it in the future. Let us certainly create an atmosphere in the country that in the light of the actual working of the Reserve Bank, satisfactory or unsatisfactory, if it is unsatisfactory more than satisfactory, how to make it satisfactory; let us show to the people that we are working to make it satisfactory; let us have general elections on the issue of full financial control. Clashes will be inevitable between the Financial Adviser on the one hand and the Finance Minister on the other.

You have got a Shareholders' Bank. Shareholders cannot be dummies, nor can the Directors be bureaucratic automatons. The Governor General may have the power,—he has, under the White Paper scheme, the power of Hitler and of the President of the United States of America, of Mussolini and of the Czar before their fall as Mr. Winston Churchill truly said in one of his delightful speeches,—he has all this power which we have to fight. Under the present Constitution, has he not got the power of imposing anything against our own will, has he not got the power of imposing a ratio, which is being denounced as "an outrage" by Indian patriots, a ratio which has disastrously worked from our point of view, a ratio which we condemned from the Swarajist Benches and which the country has disapproved? (Hear, hear from the Nationalist Benches.) He has all that power, and, in spite of that power, we came to this House to work, to fight for our rights, and now that power is to be incorporated in this Bill. The Governor General has got the power of imposing the ratio and other things in this scheme, and there is no use in our saying that we throw away this scheme. You cannot throw away the scheme for the very simple reason, you must have a foundation on which to raise your battle for the future. If we had accepted the scheme of Sir Basil Blackett five or six years ago, the history of today would have been differently written. We would not have been fighting now as to which clause should

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be incorporated in this Bill and which other clause should not be incorporated in it; we would have been fighting today as to how much of financial control must come into the hands of the people, and all the arguments,—I do not condemn those arguments,—very fine arguments, very patriotic arguments of my friend, Mr. Neogy, would have been more appropriate, and we might have been able to carry some of our wishes. On the contrary, great men, great leaders who sat on these Benches threw away the opportunity in a moment of patriotic heat, not light. That was the tragedy of the situation, and if today we throw away this scheme, what will be our position? Five years hence we will be haunted by blank despair born of bankrupt statesmanship . . . .

**Mr. B. Das:** None of us are trying to throw it out. We are criticising to improve it.

**Mr. C. S. Ranga Iyer:** My friend, Mr. B. Das, says that none of us are for throwing it out. If you do not want to throw it out, I hope you will approach it with a certain amount of constructive criticism. If you have not the idea of throwing it out, there is no use of teaching grandmother how to suck eggs (Laughter), for what else does it mean when the Leader of the Democratic Party stands up on the floor of the House and tells us, uneducated people, what powers the Governor General has and what he has not? What is the fun of telling us that the Governor General has not got power or he has too much power? We have all read the White Paper Scheme. This Reserve Bank Bill is a part of the White Paper Scheme, in fact very unfairly the British Government have set the pistol to our head and said,—either bring into existence this Reserve Bank or we do not want to proceed any further with the reforms. As we are not revolutionaries, as we want reforms, though some of us might have flirted with revolution in the past, civil disobedience of a non-violent kind, as we have come to this House with the purpose of broad-basing democracy on the people's will, all that I would say is this, that bad as it is, unsatisfactory as it is, we have got to accept this Reserve Bank scheme and try to introduce only such amendments in the Bill as can be approved and accepted by the representative of a subordinate branch of the Imperial administration which Sir George Schuster happens to be. There is no use taking him to task for the powers of a Viceroy in the White Paper scheme. He was not responsible for those things.

I think I should not go into details of this scheme, but I must certainly reprobate my friend, Mr. B. Das, for his unnecessary sting on the absent Leader of my Party. Mr. Sarma was not personal. He referred to absent Members having a good time in Europe . . . .

**Mr. F. E. James:** Absence makes the heart grow fonder!

**Mr. C. S. Ranga Iyer:** And here is my friend, Mr. B. Das, formerly a member of this Party, who after trying his best to stab the Leader of this Party and this Party behind its back, had the audacity to stand up and say that Sir Hari Singh Gour was amusing himself somewhere in the neighbourhood of Monte Carlo, while he is landing in Bombay tomorrow and

probably will face the music on the floor of this House. After the deliberations of the Joint Committee, the Leader of my Party immediately took the earliest boat to be present here.

My friend, Diwan Bahadur Mudaliar, referred very sarcastically, with the great command of language that he has got, with a great power of oration which I admire, but cannot emulate . . . .

**An Honourable Member:** My friend asks why Sir Hari Singh Gour did not take an aeroplane?

**Mr. C. S. Ranga Iyer:** Because he was not paid for it.

My friend, Diwan Bahadur Mudaliar, took very severely to task the Currency League for coming into existence and going out of existence as suddenly. Probably he wants a Currency League to be in permanent existence, but I am of opinion that the Currency League is doing very useful work. The ratio question is a very important question. The dollar has been tottering; the financial world with its managed currencies has been tottering. And the rupee will soon totter as my Honourable friend, Sir Cowasji Jehangir, who can speak with some authority on these matters, will easily prove. That being so, what is the fun of Mr. Mudaliar taking the Currency League to such task? But I recognise that in this quarrel whole rivulets of ink have been exhausted and the virulence of both Parties enormously augmented. Now, then, the Finance Member, almost, I should say,—without meaning any offence—almost in a temper, at any rate in a spirit of vehemence, took severely members of the Committee to task for having agreed to certain things and then asking for their modification here. All that I can say is this. Has not the Finance Member agreed to numerous modifications in the Joint Select Committee himself? The Bill before this House is a much improved, much modified measure, and if he could make modifications, why should they not be tempted too?

Lastly, Sir, I will conclude with the pregnant words of Sir Basil Blackett who, after the recommendations of the Hilton-Young Committee, wanted to bring into existence a Reserve Bank in India. He started with the idea of a Shareholders' Bank, but he was willing to accommodate the Opposition and agreed to a State Bank. The Opposition, blinded by malice, blinded by prejudice, as their opponents felt,—blinded by that patriotism, which loves own's country not wisely but too well, as I would put it—did not take his Bill. Sir Basil said, Sir, on that historic occasion, and his words are true even to-day : :

"It is difficult to exaggerate the importance for India of the proposed new Reserve Bank for India. The establishment of a Reserve Bank for India will be an enormous step forward in the development of India's financial and monetary machinery and will, I think, assist that gradual, silent revolution in India's economic life which promises to bring higher opportunities of life and higher standards of living to every one in the country."

(Applause.)

**Sir Cowasji Jehangir:** Mr. President, my Honourable friend, Mr. B. Das, regretted the absence from these Benches of several of our friends who adorned them in 1927, but his inherent modesty prevented him from mentioning his own name. Mr. Das was one of those great warriors of 1927 who rejected the 1927 Bill, but my Honourable friend has been candid and frank enough to tell us that much water has flowed

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under the bridge since then, and he is now prepared to admit that in certain respects he has changed his opinion. Sir, if my Honourable friend has changed his opinion, is there any reason to believe that several of those who unfortunately do not sit amongst us here today have not done the same? In England, on the Committee, which has been so much criticised in this Honourable House, several of them were members, and if my recollection does not serve me ill, I do not remember to have heard from their lips any criticism about a Shareholders' Bank. . . .

**Mr. B. R. Puri:** Due to climatic effect.

**Sir Cowasji Jehangir:** If it was due to climatic effect, it is quite evident that England's climate suited them and suited them mentally. (Laughter.) But let me continue, that we heard patiently their criticisms to make a Shareholders' Bank suitable to this country, and, after the discussion was over and the draft report was being considered, one friend of ours who belongs to another House timidly suggested that there should be a footnote to say that he did not agree to a Shareholders' Bank and that he wanted a State Bank. Beyond that note of dissent, which was suggested at the very last minute when the draft report was being considered I cannot remember, Mr. President, a single word, a single argument in favour of a State Bank on that occasion.

**Mr. Vidya Sagar Pandya:** What about Sir Purshotamdas Thakurdas and his note of dissent?

**Sir Cowasji Jehangir:** I am not concerned with his note just now. So far as I recollect, I can tell my Honourable friend, Mr. Pandya, that I do not believe my friend, Sir Purshotam, once mentioned a single argument in favour of a State Bank.

**Mr. Muhammad Yamin Khan** (Agra Division, Muhammadan Rural): You are perfectly right.

**Mr. Vidya Sagar Pandya:** It appears he has got evidence to show that he did it.

**Sir Cowasji Jehangir:** Don't put words into the mouth of Sir Purshotam when he is not here to contradict you. I do not believe for one minute that Sir Purshotam ever said that he put up arguments in favour of a State Bank in England. He has not said that in his note and he has not said it anywhere else, and I deprecate putting words into the mouth of a gentleman who is not here present to contradict them.

**Mr. K. O. Neogy:** Is the Honourable Member then quite consistent when he ascribes timidity to a Member of the other House who is not present here to defend himself?

**Sir Cowasji Jehangir:** I said "timidly" deliberately, because it was put forward in a very low voice; indeed: "Will you kindly put in a little footnote to say that I do not agree with a Shareholders' Bank?" If my facts are incorrect, I shall stand open to correction and be prepared to apologise. But there are Members sitting here on these Benches who were in England, and, if I have exaggerated in the slightest degree, I

shall be prepared to apologise to this Honourable House and to my friend, Lala Ramsaran Das. I have said nothing derogatory about him; all I said is a compliment to him that he was the only member of that Committee who distinctly said: "Kindly state that I am in favour of a State Bank".

**Mr. Gaya Prasad Singh** (Muzaffarpur cum Champaran: Non-Muham-madan): It is courage and not timidity.

**Sir Cowasji Jehangir:** Timidity, because it was done at the last minute.

**An Honourable Member:** Better late than never.

**Sir Cowasji Jehangir:** Now, Mr. President, if certain Members of this House have changed their opinion, I see nothing in it to condemn. And my Honourable friend, Mr. Neogy, threw out a challenge about a plebiscite. If it was possible for me to accept that challenge, I would do so, for I honestly believe there has been a distinct change of opinion by many men who are capable of judging this question. There are some who are prepared to say that they have changed their mind, that facts and figures have proved to them that a Shareholders' Bank is best suited to the conditions of this country. There are others who state that if they cannot get a State Bank, they are prepared to take a Shareholders' Bank, provided certain amendments are made in the Bill. It is not given to all to be able to stand up and admit one's own faults or to admit that one has made a mistake, but an admission that they are prepared to accept a Shareholders' Bank under certain conditions is, in my humble opinion, an admission that they might have been wrong in 1927. Now, Sir, I think, that the Select Committee have really made an effort to meet the wishes of the many critics of the Bill as it was introduced. I personally do not desire to take any credit for any of the amendments in the Bill made by the Select Committee. The credit goes, may I point out to this Honourable House, to my Honourable friends who were the strongest critics of the Bill. I see around me here today many members of the Select Committee to whom that credit is justly due and they belong to parties other than my own. I admit frankly that for many of those amendments, which go to meet public opinion, the credit must go to my friends here, Mr. Mitra, Mr. Gaya Prasad Singh, Mr. Bhuput Singh, Mr. Sant Singh and many others.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Mr. B. Das.

**Sir Cowasji Jehangir:** Certainly, and last but not the least, to Mr. B. Das. He gave the Committee his best attention and co-operation. I regret, Mr. President, that beyond the few words said by the Finance Member, no Member of this Honourable House has given credit to those members of the Select Committee for the work they did and unfortunately those who have spoken as the strongest critics have been those who were responsible for improving this Bill out of all recognition and I, who was not responsible for those amendments, desire to pay my tribute to those colleagues of mine on the Select Committee who did such excellent work. They did it in order to enable this Bill to be more acceptable to public opinion and I venture to say that if Honourable Members would go through the amendments suggested by the Select Committee, they will find that most of the criticisms that were made against the Bill by critics outside this House, critics who had a right to criticise, have been met

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by the Select Committee and in order to show that, Mr. President, I propose very shortly to allude to a few amendments. I do not propose to take up more time than is necessary. I am not going to relate little stories. I will leave that to my Honourable friend, the worthy Doctor, who is an authority now on squeezing lemons. I will leave him to his lemon squeezing, but, before proceeding to the amendments, may I suggest to the worthy Doctor that he has not done the Bill complete justice. It may be due to his having not studied the Bill. It may be due, I believe it is more due to his having studied the Bill a little more than was good for him, but at any rate I did come to the conclusion, if my worthy friend will allow me to say so with the greatest respect for his age and learning, that he did not understand some of the clauses of the Bill.

**Dr. Ziauddin Ahmad:** Let us be examined together.

**Sir Cowasji Jehangir:** I am prepared. My reason for saying that is this. I wish the worthy Doctor would not get offended. I have not the slightest intention of offending him. I have the greatest admiration for my Honourable friend's great perseverance and his real desire to study questions. I have seen him, with my eyes, burning the midnight oil and I would be the last to disparage him or his work, but in this case I do feel that he has made a few errors which have been the cause of the criticism that he levelled against the Bill. His little story of lemon squeezing evidently was intended to convey the fact that the shareholders of the proposed Reserve Bank were to get all the cream, and the skimmed milk was to go to the taxpayers. That is not the case. The shareholder under this Bill is merely going to get what is his due and the taxpayer will get back, in the way of profits, all that the taxpayer ought to get and for the money Government will place at the disposal of the Bank.

**Dr. Ziauddin Ahmad:** On a point of personal explanation. I never said that. What I do claim is that the entire profits must go to the taxpayers and the *nimboo-nichors* have no right to take it.

**Sir Cowasji Jehangir:** That is exactly the point where he makes the mistake. Under the Bill, as emanating from the Select Committee, all the profits that the taxpayer can get or should get will go back to the taxpayer, but considering that the shareholders do contribute five crores of money, I do not think my Honourable friend will contest the position that they should also get a reasonable dividend on their investment, and if he contests that point, he would not, I am sure, be an applicant for a share, nor would he be a shareholder in any company.

Now, coming just to a few of the amendments. The first one is that the shares are to be of a Rs. 100 denomination and the object of that, as everybody knows, is that those even of very moderate means can subscribe to the Reserve Bank. This is one of the fundamental changes made in the Bill and I trust that those who advocate the principle that the largest number in this country should be interested in this Bank will now be satisfied. It also gives a larger number of people in this country, I will not say millions, I will not say hundreds of thousands, as there are not in this country hundreds of thousands capable of subscribing, a real interest in this national institution.

Then, another big change made by the Select Committee was that anybody subscribing Rs. 500 should get a vote. The original Bill prescribed "Rs. 1,000". While I am on this point, I would like to say just a few words in answer to my friend, Mr. Neogy. Those shareholders who subscribe Rs. 500 to the Bank will each get a vote and their greatest privilege will be to elect eight Directors; and, as I visualize the future, these elections will be something similar to the elections for the Legislative Council of a Provincial Government. (*An Honourable Member:* "Five years afterwards".) I am coming to that point. Their greatest privilege will be to elect eight Directors, not more, and the way they will exercise their power and influence over the Bank will be through Directors who will be completely responsible for the working of the Bank. It is not the Governor who is responsible: he is only one Director. It is all the Directors who are completely responsible not only to the shareholders but to the country for the successful working of the Bank.

**Mr. K. C. Neogy:** If it is a Shareholders' Bank, where does the country come in at all?

**Sir Cowasji Jehangir:** Because if the country is interested in this institution, they will look to the Directors for the successful management of this Bank.

**Mr. D. K. Lahiri Chaudhury (Bengal: Landholders):** What measures can they take?

**Sir Cowasji Jehangir:** If my Honourable friend will be a little patient, he will understand. If my Honourable friend will look at clause 7 of the Bill, he will see that the Directors are entrusted with the complete management of the Bank; and if the Directors, you will admit, are responsible for the management of the Bank, then the shareholders who elect those Directors have the greatest influence over them at every election. Unlike my friend, Mr. Neogy, who is in constant touch with his constituents and whose utterances in this House are the echoes of his constituency, it is possible that the Directors will not echo the feelings of the shareholders throughout the term of their office; but I feel confident that, considering the constitution of this Bank, at least at election time they will be held responsible for their actions and will be elected or rejected according to their acceptance or rejection by the shareholders.

**Mr. K. C. Neogy:** How many of them will attend?

**Sir Cowasji Jehangir:** My Honourable friend knows that all over the world where there are democracies, the point is raised as to what percentage of the constituents go to the polls. That is a point that is brought up against all democratic Governments. Now, my Honourable friend can raise that point if he chooses, but I am not going to reply to it, because it is a question that the world is discussing just now; it is the fundamental basis of democracy, and if some people suggest that if democracy has suffered, it has suffered due to the negligence of the electorate, I am not going to touch upon that great and important issue. But if there are to be proxies—and there are to be proxies—and if there are vigilant men like my friend, Mr. Neogy (*Mr. K. C. Neogy:* "Or the Currency League"),—yes, by

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all means—I do visualize the time when there will be a considerable amount of canvassing whether in person or by proxy. (*Mr. K. C. Neogy*: "Not by bribery, I hope.") It may be by bribery, that is also democracy. Sir, you cannot separate the one from the other so long as human nature remains what it is. (Laughter.) I do hold that a very large proportion of the shareholders will be represented at the elections.

Now, I will just come to another amendment and that is with regard to the question of discrimination by Dominions against Indians. There has been an amendment and my friend, Mr. Das, can take credit for it.

Then, again, we have made an amendment that a transfer of shares cannot be refused by the Directorate. I personally am quite prepared to reconsider that question from the point of view of what Mr. Neogy has stated, and if Mr. Neogy would delete that clause for the reasons he gave, I for one would be perfectly ready to give it our most serious consideration, and I do think Mr. Neogy has made a good point in that direction.

Then the most important question is the allotment of shares, and the way the scheme has been framed does ensure that the largest number of applicants will be given shares in the first instance. I venture to suggest to my friend, Mr. Neogy, that if he will apply his mind to the scheme, he cannot but come to the conclusion that natural-born Indians in a very large percentage can only be shareholders in the first instance. That cannot but be so, and it would be practically impossible, I venture to suggest, that Englishmen ordinarily resident in India can even get 10 or 15 per cent. of the shares under the scheme. Firstly, there is the Rs. 100 share. Secondly, the vote goes to everyone having Rs. 500 worth of shares and they get the first chance. The maximum number of votes for any one person is ten. You cannot get any more votes. Now, how many Englishmen are there ordinarily resident in India who can get these votes? Suppose each one of them applies for five shares—which is an impossibility—how many shares do you think will be allotted to Englishmen resident in India? (*Mr. K. C. Neogy*: "Ask Dr. Ziauddin.") Sir, considering those figures, I think you cannot but come to the conclusion that the Joint Committee have done their very best to ensure that the greatest percentage of these shares cannot but be allotted to what we call natural-born Indians.

Then, Sir, there was considerable criticism about a branch in London; it is provided that if the Central Board so desires, they can have their branch.

Then, Sir, by a majority we decided that the Governor shall have banking experience. My Honourable friend opposite has written a minute of dissent. I stick firm to the majority decision, and my object is to give confidence to the Indian public that in the first instance at any rate and for some years to come we shall get Governors who know their job or who at least start with the presumption that they know their job. And if a time comes in the future when it will be to the advantage of the Bank and this country that a Governor should be appointed who has not had five years practical experience, it will not be difficult to come to this Honourable House and amend the Bill. But, under the present circumstances, I think the House will be well-advised, whatever the Finance Member may say, to see that the decision of the majority is carried into effect.

Then, Sir, as regards the question that at least one Indian should be appointed out of the three who are to be the Governor and the Deputy

Governors, I think here also we have got a complete assurance from Government . . .

**Dr. Ziauddin Ahmad:** The assurance of the Finance Member has not the force of law and his successors are not bound to follow. Have we not received assurances on many occasions on the floor of the House which have never been carried out?

**Sir Cowasji Jehangir:** My Honourable friend is accusing Government unnecessarily. My Honourable friend, Dr. Ziauddin—I do not think the Finance Member heard what he said—has said just now that the assurance that we have obtained from the Finance Member that one out of the three Governor and Deputy Governors will be an Indian in the first instance should not be relied upon.

**Mr. K. C. Neogy:** May I ask my Honourable friend to use his persuasive influence with the Finance Member to see that all the Secretaries and Under Secretaries in his own Department are not Britishers, to be left as a legacy for the future Minister?

**Dr. Ziauddin Ahmad:** Since my Honourable friend, Sir Cowasji Jehangir, has put in my mouth words which I did not say, I think I had better make my position clear. What I said was that the assurances given on the floor of the House have got no force. Many a time we have been assured, for example, about the representation of Muhammadans, but we find that in practice they are not carried out.

**The Honourable Sir George Schuster:** I am quite positive that my Honourable friend cannot quote a single instance where a catagoric assurance has been given in the terms that I gave it and it has not been honoured by Government.

**Dr. Ziauddin Ahmad:** I can give the instances in his own Department.

**Sir Cowasji Jehangir:** I regret that these communal issues are raised on the floor of the House at every possible moment. One cannot open one's lips in this House without getting a retort on the communal issue and I deprecate it. I have nothing to do with Muhammadans or Hindus or Parsis and I do hope that my Honourable friend, Dr. Ziauddin, will keep communal issues out of this Bill.

**Dr. Ziauddin Ahmad:** On a point of order, Sir. I never raised a communal issue throughout this discussion and I challenge my Honourable friend to show me a single word that I used about communal matters. What I said was that the assurances given by the Government are not always carried out . . .

**Mr. President (The Honourable Sir Shanmukham Chetty):** The House stands adjourned till Half Past Two.

The Assembly then adjourned for Lunch till Half Past Two of the Clock,

The Assembly re-assembled after Lunch at Half Past Two of the Clock,  
Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

**Sir Cowasji Jehangir:** Mr. President, when we adjourned for Lunch, I was on the point, a very important point, the assurance given by Government that out of the three principal executive officers of the Bank, one at least shall be an Indian, and I consider this a distinct gain and one of those points that go far to meet public criticism and I would point out to my Muslim friends, specially to Dr. Ziauddin Ahmad, that when we have succeeded in getting this assurance, in that wide phrase "Indian" the Muhammadans play a very important and a responsible part and that when we have got this concession, this concession includes Muhammadans and none will be better pleased than many of us to see not only a Muhammadan Deputy Governor, but also a Muhammadan Governor in the future. It is a concession gained by all Indians and not merely by Parsis or by Christians or by Hindus, . . . .

**An Honourable Member:** Or by Madrasis.

**Sir Cowasji Jehangir:** Yes, I shall be only too pleased to see an able Madrasi as the Governor of the Bank in the future.

The next point is that we have got an assurance that 75 per cent. of the Directorate will be Indians, an assurance from Government which I consider also a great concession that we have been able to obtain. It is not an unequivocal assurance but for myself I am confident that in the first Directorate, which is to be nominated by Government, we shall find 75 per cent. Indians. There is a certain amount of feeling in this House which was expressed in the Committee that these assurances should really find Statutory provision, and that in other Acts in other parts of the world such Statutory provisions are to be found. I am perfectly aware of that fact and my only answer, as my Honourable friend, Mr. Ranga Iyer, put it so well this morning, is that we have got to take what we can get immediately and hope to get more later on, and I would also appeal to my Honourable friends here that Englishmen who live in this country for 30 years of their lives sometimes do become Indians and we are looking forward to the time when with the new reforms, their mentality will be Indian in the future. You must remember that the mentality of people is very often the result of a Government and when the Government becomes Indian, the mentality of Englishmen in India must also change with it. I can only say as a proof of the principle I enunciate that the mentality of Englishmen has already changed. If you can throw your minds back to 15 years ago and try to visualise what Englishmen were 15 or 20 years ago and what they are today, I think every honest Indian will have to admit that there has been a considerable change.

**Mr. B. V. Jadhav** (Bombay Central Division: Non-Muhammadan Rural): Between 1930 and 1938 there has been considerable change.

**Sir Cowasji Jehangir:** That change has been due to the change in the mentality of Government just as much as to anything else and when the mentality of Government changes more and more, every day the mentality of Englishmen in India is bound to change with them. I am looking forward to the day when in this House and outside, nobody will ask for or think it necessary to demand a special provision to exclude Englishmen ordinarily resident in India. Sir, I can understand the strong feeling today, all I

can state is that the Select Committee, and I do not include myself among the lot, but I do include my Honourable friends, Mr. Gaya Prasad Singh, Mr. Mitra and others, have done the very best they could and the result they have achieved is one worthy of acceptance by this House. The next striking change made is that we have raised the gold reserve from 85 crores to 40 crores and I am not going into details, but I think Honourable Members who understand this question will appreciate the change. It might be that from the discussions here we are led to infer that the Select Committee was a very unhappy family. As a matter of fact, I think I will be corroborated by every member of the Select Committee when I say that this Joint Select Committee was a very happy family trying to obtain the best it could in the interests of the country and that every one of us, including the European members who voted for the discriminatory amendment, did their best to see that the Bill as far as possible did meet public criticism. I would not be doing my duty, Mr. President, if I do not specially mention the Chairman, the Honourable the Finance Member, whose patience and whose desire to hear every point of view and whose anxiety to meet every point of view was acknowledged by every member of the Select Committee (Hear, hear), and I desire to record in this House these sentiments of the Select Committee to which they gave expression at the end of their deliberations. If anybody has a complaint against the Honourable the Finance Member, it is myself, because, if any amendment was categorically refused by the Finance Member, it was the amendment moved by myself, but every other amendment moved by every other member of the Select Committee received his most careful consideration and he went as far as he possibly was allowed to go (Hear, hear) to meet the wishes of the Joint Select Committee and that, I believe, is a statement that will be corroborated by every member of the Joint Committee.

I am coming to the most important part and I trust you will excuse me, I shall take as short a time as possible, I am coming to the most important part of the discussion that has taken place up to now. It was started by my Honourable friend, the Raja Bahadur, and to day taken up by Mr. Neogy,—the political aspect. Now, the political aspect of the case cannot be forgotten by this side of the House. We cannot overlook it although there is no clause in this Bill which we can pick out on which we can criticise the political issue. The story of the necessity of the previous sanction of the Viceroy to an amendment of this Bill when it becomes an Act is a short and bitter one. It started in England with the first Round Table Conference and continued through the three Round Table Conferences and was finally concluded in the Joint Select Committee. In the very first year, this question was raised as to whether the previous sanction of the Viceroy would be required for the amendment of this Bill when it becomes an Act and specially of the two most important clauses, 40 and 41. In the second year, we were definitely told that the previous sanction of the Viceroy would be required. In the third year, that was confirmed and, to cut a long story short, I may state that most of the Indian members of the Round Table Conference protested as strongly as they possibly could against this previous sanction of the Viceroy to the amendment of this Act. Our protest was not merely verbal, it was put in writing; and anybody who desires to probe into this question will find it in the reports of the Conferences. We were told that it was impossible, that the Secretary of State must maintain his position and that the previous sanction of the Viceroy must necessarily be a part of

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the Constitution. But I should like to place before this House very shortly another aspect of the case. Firstly, it is no use breaking our heads against a stone wall and, secondly, let us examine very shortly what are the consequences of this provision. Everything will depend upon the future Finance Member who will be an Indian and if you get a Finance Member worth his salt, a man who is going to stand by his country, whose whole-hearted efforts will be only in the interests of this country. I have not the slightest hesitation in saying that I am not afraid of this previous sanction of the Governor General or the Viceroy. For the very first time the Governor General attempts to refuse his sanction to a Bill, if the Finance Member is worth his salt he will make that Viceroy think twice before he refuses his sanction. He has simply to hand in his resignation with that of his Ministry, provided he has got a good case, and I venture to suggest that in the near future no Viceroy will dare to defy a Ministry who desire to amend an Act. No Viceroy will dare to defy a Ministry if the Ministry is strong enough to stand up and tell the Viceroy what they think of him. If my Honourable friends say that having such a Ministry is problematical, my answer is that I regret their doubts. If they are doubtful about getting such a Ministry and such a Minister, I would suggest to them not to ask for these reforms and not to ask for *Swaraj* at all; let us go back to the old days and hand over all powers to the opposite Benches. But if my Honourable friends are as optimistic as I am that we shall find the men who will stand up against foolish and obstinate Viceroys, then I maintain that we have little to fear from this previous sanction of the Governor General, however illogical it may be, however wrong it may be, to put it into the Constitution. Therefore, Sir, the point is that the ratio being included in this Bill, it cannot be amended without the previous sanction of the Governor General. I admit that: that is the position. It is no use closing our eyes to it, and, further, it is no use closing our eyes to the fact that in the future the "Governor General at his discretion" means the Secretary of State. There is not the slightest doubt about it and it has been admitted in the Round Table Conference. It cannot help but be admitted; because, under modern democratic ideas, every man, whether he be a Viceroy or even higher, has to be responsible to a Legislature. And, therefore, the Viceroy, acting at his discretion, is responsible to the Secretary of State who is responsible to Parliament. And, so, wherever you find in an Act "the Viceroy at his discretion", you must realise that it is the Secretary of State responsible to Parliament. That is the position. Now, Sir, I have said and I will repeat that I am not afraid of that position as long as we shall have Ministers worthy of their salt. A tussle is bound to take place and the tussle can only take place if the interests of England and India conflict and the Viceroy is ordered from England to take up such an attitude. I do not believe that an Englishman coming out to this country as Viceroy will deliberately act against the interests of India, but I have my apprehensions that he may be ordered to do so from England. I have my apprehensions and those apprehensions to day are stronger than they were a year ago, because I find in England responsible men,—they may be to day in opposition or they may belong to the Government party,—expressing opinions which have astounded me. The expression of such opinions five or ten years ago would have been undreamt of, expressions of opinion that India has to be kept within the Empire for the interests of England and the Empire; that, if anything happened

to India, the trade of England would suffer a considerable loss, and that these reforms which Government now contemplate giving should not be conceded, because there is a risk of India acting in her own interests and much more so with Englishmen in India standing up more strongly and forcibly for India's interests. These politicians want to make Honourable Members opposite more irresponsible than they are already (*An Honourable Member: "Question"*), they want my honourable friends opposite simply to carry out orders issued in England: that is the attitude deliberately, openly, callously given expression to in the press and on the platform; and my honourable friends opposite will realise that when we hear speeches and read articles in language of that character, although it might come merely from those not in office, we have occasion to be apprehensive that the great powers handed over to the Viceroy at his discretion may in the future be exercised against his will under orders from England by a Government that might come into power whose deliberate object will be to see that India is kept going only in the interests of England and not even in the interests of the Empire; and, therefore, we have our apprehensions and our only hope lies in the fact that we will have a Ministry who will stand up to such oppression and a Legislature which will be in a position to back up a Ministry, and only then will such a Government in England realise that it is not possible even under the Constitution that we are to have, to make India continually pay and lose and suffer in the interests of England. (Cheers.) That is the constitutional issue, and personally I have no fears about it: I am confident that we shall produce the men capable of acting in the interests of India and making any Government in England realise that it is impossible under the future Constitution to govern India unless they concede the legitimate demands of the Ministry: I have no fears of the Viceroy: I have no fears of my Honourable friends, the non-official Members: I have no fears of English officials in India: I believe that they will grow stronger and firmer in the interests of India under the new Constitution: they will be allowed to carry out their real wishes and intentions: I know they will and I realise fully how handicapped they are to serve India as they would like to. I fully realise that there has been many an Englishman in India who today would have been reckoned amongst the greatest friends of India if he had only been allowed to do what he liked; but, in the future Constitution, they will be allowed to do what they like and they will find themselves happier and more contented men than they are at present.

Now, as to the statement made by the Secretary of State and given expression to through the mouth of the Finance Member, I have no complaints to make: we knew the position: the position is that an Adaptation clause will appear in the Constitution Act which will lay down in what cases the Governor General in Council will mean the Governor General at his discretion and in what cases it will mean the Governor General acting with his Ministers: all we can do is to wait and see: we cannot do more: we cannot dictate to the House of Commons what the Constitution Act should be. My friend, Mr. Neogy, asked the Finance Member to let us know exactly how the land lies and what the expression 'Governor General in Council' really means. I do not know whether the Finance Member is in a position to answer that question; but if he is, all I can say is that he has taken the place of the House of Commons . . . .

**Mr. K. C. Neogy:** May I interrupt? I recognise the uncertainties of the situation, but, as in regard to the question of the future reforms, we

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are proceeding on the assumption that we are going to get some advance at least at the Centre and that we can proceed on the assumption that the Government proposals will be carried into effect by the House of Commons, are we not entitled to know similarly as to what the British Government's intentions are in regard to this Adaptation clause?

**Sir Cowasji Jehangir:** I can tell my friend, Mr. Neogy, that this question was raised in England and I remember very well stating, in the very words that Mr. Neogy placed the question before this House today, that we were more interested in the future than we are in the immediate present; and we wanted to discuss what was to be meant in the future by Governor General in Council and we did discuss it and you will find I think some paragraphs in the report dealing with that question: I may candidly state that there was considerable difference of opinion: in certain matters we admitted that the Governor General at his discretion should be inserted, but in other matters we were deliberately of opinion that it should be the Governor General acting under the advice of his Ministers. That difference of opinion has been given expression to in the report and that report is supposed to be before the Joint Select Committee in England: I do not know whether it is or not: and the Joint Select Committee is supposed to consider the question and give in this Adaptation clause their advice to the House of Commons. That is the position and all we can do is to wait and see. It would be like asking the Government here to tell us what is to be the result of certain issues raised on the constitutional question: this is a constitutional question which has to be dealt with by the House of Commons, and I should not be a bit surprised to hear—though I have no authority for saying it—that the Select Committee had not even thought of it yet; though they will have to before they are finished with it . . . .

**Mr. S. C. Mitra** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): We wanted to know the views of the Government here in India.

**Sir Cowasji Jehangir:** You are at liberty to get any information from them: I am only placing the position as I understand it.

There is just one more point to which I would like to draw the attention of Members opposite: that is the fate of the staff of the Currency Office. As I understand the position it is that the work will remain exactly as it is today: either it will be done by Government or it will be done by the Reserve Bank and the staff need not have the slightest apprehension of their future or of their future prospects which will remain exactly as they are today or will remain exactly as if no Reserve Bank had come into existence. If that is the position, I should be thankful to the Honourable the Finance Member for corroboration.

I will now come to the most important point—I am sorry to delay the House—and it is the question of the ratio . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): The next most important point, he means? He has already dealt with the most important point once.

**Sir Cowasji Jehangir:** I am sorry, Sir, this is the most important point and this is a point on which I hold very strong views. I have given an amendment and, as I said, it was the only amendment which the Honourable the Finance Member would not look at, far less consider. The Honourable the Finance Member twitted by Honourable friend here for having signed the report, in which it is stated that the ratio of today should be inserted in the Bill on the day the Bill is introduced and asked him why he signed it. I am going to reply to that question. I will ask the Honourable the Finance Member to relate to this House the spirit in which we came to that agreement and I will ask the Finance Member to act up to the spirit of the report which he has signed. The spirit of the report was that neither he nor we shall be committed, and it is impossible to commit either of us, to a policy that will not come into existence for one year to come. I will ask him to stick to the spirit of that report and, if he accuses us of not carrying out the statement we signed, I will accuse him of not carrying out the agreement in the spirit. It is much more important to carry out the agreement in spirit than merely follow the letter of the law. The 3 P.M. spirit of that agreement was that nobody should be bound down that it was impossible to consider a position that was not to be arrived at until a year hence, and, I think my Honourable friend will be forced to admit, that there have been considerable changes in the position since the time we were in England. My friend, Mr. Ranga Iyer, stated that the rupee was tottering. We all know it is; whatever the Honourable the Finance Member may say, we all know that the dollar exchange has had a great effect on the world. We all know that the world is considering the matter, and does my friend, the Finance Member, mean to say that we should not consider it in India? I do not mean to say that we should consider it in this House, but we refuse to be committed now in this Bill to any rate of exchange, whether it be 1s. or 1s. 6d., because we feel that the time has come when some change will have to be made, whether the Secretary of State likes it or not. The position has so changed that perforce the Government will have to make a change, and, therefore, we are justified in demanding that the position should remain open to enable Government to take any action they desire in the interests of the country between now and the time this Bill comes into force. (Hear, hear.) Sir, I have said in my minute of dissent that we have decided views on this question, but I do not propose to go into the merits of that question, for the simple reason that it is futile to do so. There is no man in this House or in this world who is in a position to say what should be done a year hence, and, therefore, for me to express my opinion or the opinion of anybody else outside this House as to what should be done a year hence is futile. We cannot discuss the question on its merits. We are not prevented by you, Sir, by law, but we are prevented by the very circumstances in which we are placed. Therefore, I will urge this Honourable House that under no circumstances should it commit itself by even mentioning 1s. 6d. in the Bill, whatever assurances may come from the other side. If this 1s. 6d. means nothing, then put nothing in the Bill. (Hear, hear.) And above all, the more my friends opposite insist upon leaving 1s. 6d. in the Bill, the more suspicious I get. The position is so exceptional that I cannot understand the Government refusing to accept my amendment. That is my position. It beats me altogether, and when one does not understand the arguments of the opposite side, one has a right to be suspicious. We are told that if we make any radical change and omit this 1s. 6d. from the Bill, it will lead to

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speculation. Yes, some actions of ours sometimes do lead to speculation; but what is leading to speculation is the depreciation in the dollar, and nothing that my friend can say, or we humble persons on this side of the House can do, will stop the speculation, because the world is in an uncertain and unsteady position, and whatever my friend may now say, it is not going to lead to any further speculation than what has already taken place, and the argument that our leaving out this 1s. 6d. will add to the speculative fever is not correct. Sir, people outside this House who understand the question are no fools. Most of us may not understand the question. I do not profess to do so, but I do realise that those outside the House know the position as well as any Honourable Member on the opposite side and are in a position to study today's figures and draw inferences just as any Member on the opposite side. Therefore, Sir, to tell us that any change in the Act today, to the extent I have suggested in my minute of dissent and in the amendment I have given, will do any harm either to India or to the Government is a position I am unable to understand, and the refusal of its acceptance not only makes me but the whole of India much more suspicious than ever before. This question is not going to be dropped in India, whatever we may do, and I venture to suggest that if we had a different constitution to the one we have got today, and if any member of Government tried to justify the position, he would not remain in office for two days not only in India, but I venture to suggest that that would be the position in any part of the world. In every part of the world today commercial and industrial classes are agitated, and they are bringing pressure upon their Governments to act in the best interests of their country, and I have no reason to believe that our Government will not act in the best interests of this country; but situated as we are, with the Constitution that we have got, our apprehensions are justified, and I would beg of the Finance Member not to increase those apprehensions or our suspicions of the future Constitution. Several friends of mine have told me, men who are loyal to the British and the British Empire, men who have grown grey in the service of Government, have told me that this insistence of Government to stick to the 1s. 6d. is sufficient to push them into the opposite camp. Do Government realise the effect this is having on many loyal men in this country? I do not think for one minute that Government really realise the position, and if they do not, I would beg of them, each one of them individually, to make inquiries and wire the results of such inquiries to the Secretary of State, for, Sir, I firmly believe that Government's insistence and the Secretary of State's answers in the House of Commons are doing greater damage to the future Constitution and its prospects than anything else.

I have nothing further to say, Mr. President. I have had my say, and although we are not going to discuss the question of the ratio on its merits in this House . . . .

An Honourable Member: Why?

Sir Cowasji Jehangir: . . . . because it is futile,—I trust that the view held all over the country and to which we have given expression here today will be considered by Government and that it will be regarded as a God-send in these critical times, and that they will take full advantage of this expression of opinion all over the country to impress upon those

in power that much greater issues are involved than the interests of the agricultural classes,—that there are much greater issues involved, namely, the loyalty and the support of thousands of loyal Indians who have been loyal for generations to the British Government. (Applause.)

**Mr. Muhammad Yamin Khan:** Sir, I congratulate my Honourable friend, Mr. Das, for making a candid confession that he was really mistaken on the last occasion when the Reserve Bank Bill came before this House in 1928. I am very glad that he realises the loss which India has suffered through his wrong vote and through the misapprehension under which he voted at that time. (*An Honourable Member:* "The only vote!") The only vote was somebody else's. Who that somebody else is, the whole House knows. No need to say that he was the man who came up at the last minute to give his vote. If we realise that by a mistake we are liable to suffer a tremendous loss, we should be careful to see that we do not repeat the same mistake which may bring the same kind of loss in the future, so that we may not have to repent after five years. Owing to the result of the voting last time, the Bill was withdrawn and the Government did not make any motion. I warn my friends against taking any precipitate action so that the Government of India, not of their own choice, but by pressure from somewhere else, may not be forced to act in the same manner on this occasion also. (*An Honourable Member:* "No fear from this Assembly.") Certainly, but there may be pressure from somewhere else on the Government which may precipitate the same kind of action. We must carefully balance what is good, whether we are going to get something in return. Sentiment is all right, but by merely acting on sentiment we should not shut our eyes to hard and real facts. We must be practical men. We must see where is India's greater gain. India's greater gain must be our first object. We cannot lose the greater part, simply because we want to achieve a small thing. There is an Indian proverb "*Ashurfian looten koelon pur Mohur*" which means, "You may distribute sovereigns, but you are very careful about spending your charcoal". You must not look to the charcoal; you must look to the sovereign. Honourable Members will be well advised to see that they do not run the risk of losing their sovereign simply to save some charcoal.

Sir, this question has been agitating the country a great deal. I am not going to impute any motives to anybody. I think it is the sincere wish of everybody to see that the Bill, as finally passed, is for the good of the country as a whole. There is a difference of opinion. Some people think honestly that a State Bank would be more useful than a Shareholders' Bank, and *vice versa*. I am not going to impute any motives to people who hold different views from me. My Honourable friend, Dr. Ziauddin Ahmad, may go to the extreme and say anything about the Members who do not share his views. He may say that they have got their conscience in Whitehall, or that they are making a present in the hope of getting something. That may be his point of view, but it is not mine. If his taste allows it, let him indulge in it, but I will not go to that extent. But I would like to remind Honourable Members that people are liable to change their honest opinion if they are put in a certain Committee. Members may have certain grievances against certain people who may have not chosen to put them on this Joint Committee; otherwise they may have chosen to change their opinion. I am not going to dwell on the point how people changed their strong opinions

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on the Ottawa Bill; I am not going to impute any motives to them that they did so for the sake of being put on certain Committees. But I would say that they had greater opportunities to go into the matter more thoroughly, and not because they had been put in there as a bribery.

As regards a Shareholders' Bank, I ask, if the House have got no confidence in the present Government, how will they have any confidence in the reactionary body which is going to take the place of this House in the future, which will be composed of 40 per cent. of Indian States' representatives. We may accuse the present official block for voting always with the Government, but I may say that there are many there who, if given a free hand, would vote with this side of the House. But that is the result of the party system. If the leaders of parties take a particular decision, the rank and file have to follow them. In the same way, Government back benchers have to follow the dictates of the Government whether they agree or not. I can say this, that the influence of a liberal minded Englishman is far healthier than that of the reactionaries who will come from the Indian States.

**Raja Bahadur G. Krishnamachariar:** I object to that statement. My Honourable friend has absolutely no business to make an imputation like that. Let him wait until the representatives from the States come, and he will find that they are far more advanced than most of the gentlemen here.

**Mr. Muhammad Yamin Khan:** I shall be very glad if my Honourable friend, the Raja Bahadur, finds a place and comes up as a representative of a certain State. (*An Honourable Member: "He will."*) I shall then think that the States are really advanced and that they will be a great asset to India. But, in the present state of affairs, while the representatives from British India come by election, there is no electoral system in the Indian States and there is no Constitution. Unless a Constitution is granted to each and every State, I cannot hope for anything better. There may be an electoral system in some of the States, but what is that system?

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair does not think that that is relevant to the issue before the House. The Chair allowed the Honourable Member to make a passing reference, but he is now dilating upon it.

**Mr. Muhammad Yamin Khan:** I stand corrected. I did not want to dilate on this matter except for the interruption which I had from this side.

**Raja Bahadur G. Krishnamachariar:** It was provoked by you.

**Mr. Muhammad Yamin Khan:** I cannot see how my friends can place more confidence in the future. Now, Sir, the interests of India, I think, can be well served and safeguarded by the people who will sit in the Reserve Bank as Directors, on the votes of people who will have some kind of interest in giving their vote. Everyman who invests his money will think twice to see that his money is not lost. He will be careful to see that the man, in whom he is placing his confidence, works in the best interests and gives him a good return for his money and that his money is safe.

The only point we have to see whether it is in the interest of India or in the interest of a few shareholders. We have done our best. We have fought to a great extent that the shares must be of such a small amount that it can be distributed widely, and all over India, so that everybody may be able to purchase them and they may not be concentrated in one hand. Although the London Committee had agreed to Rs. 500 share and two shares as the value for one vote, I can say it was only a compromise. There were some people who were opposed to it and my friend, Diwan Bahadur Ramswami Mudaliar, will bear witness that he and I were the persons who fought for Rs. 100. If we agreed to Rs. 500, that was a mere matter of compromise, not as a matter of agreeing to any principle. I am glad that the Joint Committee of the two Houses has redressed that grievance and corrected that mistake. Now, the distribution will be very wide and people in India will have a great voice in the Shareholders' Bank. In this connection my only grievance was when I heard some people saying that 25 per cent. shares must be held by Englishmen and 75 per cent. by Indians. I was grieved to see that the people who were advocating this clause were anomalous. Their actions were not correct. Now, I can prove it in this way. India is divided into different circles. There is the Northern Circle which comprises United Provinces, Delhi, Punjab, North-West Frontier Province, Baluchistan, Kashmir States, Punjab States, Rajputana States and the Gwalior State. This Delhi circle has got a population which comes to 30·4 per cent. and they have been allotted only 80 lakhs out of five crores of rupees, while the Western Area, of which the Bombay Presidency is the main part, comprises an area of 19·5 per cent. only and this area had been given one crore and 65 lakhs, that is more than double. Madras has also its grievance. The Madras area, which has 16·5 per cent., and whose due share is 82 lakhs, has been given only 50 lakhs. Now, Sir, our share of the Delhi area, according to the population basis, is one crore and 52 lakhs, while we have been allotted only 80 lakhs. With great difficulty I have been able to get one crore 15 lakhs by the Joint Select Committee. These gentlemen say that Indians should get all the shares and, in the same breath, they say that one-third of the population of the Northern Area is incapable of subscribing to the extent which is their due. If they say this, they are only refuting their own arguments. Now, Sir, those gentlemen who are speaking for the Bombay and Bengal Areas do not concern themselves about the people living in those two Presidencies, but they are only looking to the big towns of Calcutta and Bombay. Against Bombay and Calcutta, I can put up such places as Delhi, Lahore, Peshawar, Rawalpindi, Simla, Lucknow, Cawnpore, Benares, Allahabad, Agra, Ambala, Meerut, Bareilly, Amritsar and other big towns. There are seven cities in the U. P. which have got a population of more than a lakh of population. Although the people in the Bombay Presidency may be under a misapprehension that they have got a bigger urban population, but it is only 92 lakhs, while the Northern Area has got an urban population of one crore and 33 lakhs. The Calcutta Area has got only 48 lakhs of population. This means that it is nearly half of the Bombay urban area. If there is any justification to give the Calcutta Area something which they deserve on account of the population basis, if we take away Calcutta from the Bengal Area, then I want to know what is left of the Bengal urban population. Are those people besides the Calcutta people better off than the northern people in their monetary and financial condition? Could they subscribe more than the people living in the Punjab and the United Provinces and in the Indian States can subscribe? I doubt it very much; they cannot.

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And this injustice has been done by the Honourable Members by oversight, I do not say deliberately, but some people in their zeal were of the opinion that the people in urban areas would, in the main, be able to subscribe and not the people who lived in the rural areas. I say, Sir, that I want this Shareholders' Bank on one principle and I am ready to support the Government only on one principle: I want that the Shareholders' Bank shall be subscribed to by the people of India as a whole and not by the few people living in a few big towns only. Full opportunities must be given to people who are living in the villages, in the districts and in the smaller towns and who are engaged in multifarious professions, agricultural and everything else, to subscribe to this Bank, and it should not be confined to the big millowners of Bombay and Calcutta. If this is the underlying principle which induced me to vote for a Shareholders' Bank, then I can never agree to the principle that one-third of the whole population of India cannot subscribe to one-third of the entire capital of the Reserve Bank. I would request Honourable Members to accept this amendment which I am going to hand in later on that the Northern Area should be given what is its legitimate due. If, of course, it is found that the Northern Area is incapable of subscribing to what is allotted to it as its rightful share, then that may be allotted to the other areas and I shall have no grievance, but I am not ready to accept the theory that this Northern Area cannot subscribe to the full amount which may be allotted to it. Sir, I was sorry and grieved that my two friends who came from the Punjab did not support me in this matter on the Joint Select Committee. (*An Honourable Member: "Who are they?"*) I need not mention their names. Honourable Members surely know the names of the one or two Members from the Punjab. One of these Honourable gentlemen went to the extent of saying that this Northern Area could not subscribe such a big amount, and, at the same time, he was the man who. . . .

**Diwan Bahadur A. Ramaswami Mudaliar:** Sir, those are details which happened in the Joint Select Committee and they should not be referred to on the floor of the House. It is not proper, I submit, to try to show how the voting went in the Select Committee.

**Mr. Muhammad Yamin Khan:** If my Honourable friend thought it proper to refer to what happened on the London Committee on which he sat, it does not lie in his mouth to object. . . .

**Mr. President (The Honourable Sir Shanmukham Chetty):** It is not proper to mention on the floor of the House how particular Members voted in the Select Committee.

**Mr. Muhammad Yamin Khan:** I did not say, Sir, how they voted. I said that this contention of mine was not supported by certain Members, and there was no voting question. There was in fact no voting. I can assure you. The only point was that I raised this point and I did not find any support from them. I only said that one Honourable Member got up and said: "We cannot subscribe to this amount". Yet I found that he was the loudest champion of having this 75 per cent. for the Indians. Now, how can you give that to the Indians when you do not give them the opportunity to purchase the shares? So it was an absolutely anomalous position taken up by the members of that Committee.

**Captain Sher Muhammad Khan Gakhar** (Nominated Non-Official): They want it only for the capitalists.

**Mr. Muhammad Yamin Khan:** They want that only the capitalists of Bombay and Calcutta should subscribe to this Reserve Bank and not the agriculturists and other peoples of the Punjab and the United Provinces. Now, Sir, I had a confession from the Honourable Member from Burma when he said that they had got no money to subscribe. Now, the Burmese were given Rs. 30 lakhs to subscribe, while their share on the population basis comes to only Rs. 21 lakhs. If they are incapable of subscribing to what is even their own share, then I do not see why any share should be taken away from the United Provinces and the Punjab and allotted to Burma, because no other area is suffering except the United Provinces.

**U Ba Maung** (Burma: Non-European): Burma is ready to give it back to you.

**Mr. Muhammad Yamin Khan:** I shall be very glad if my Honourable friend will support me when that amendment of mine comes up. On this point I am convinced that the shareholders will exercise their influence a great deal on the management of the Bank—and the shareholders are the only possible constituency which can look to the interests of the Reserve Bank from the Indian point of view. I believe that these people, who are living in all the villages and are spread over all parts of the country will exercise their influence in the direction of running this Bank on the most business-like lines, because that is precisely the constituency which is to be expected to look at the problems with the greatest care, because they are directly affected, and not the constituencies from which some Honourable Members of this House come to sit on and adorn these Benches. Sir, I do not think that in future the State Bank can be anything better than a game of party politics; and, therefore, I want to save it from the party politics of the future parties, and I think that the monies of the people of India should not be entrusted to people who will have no other motive than to favour their own parties or not to favour their opponents, and, in this view, I am convinced that the Shareholders' Bank is the only Bank which ought to be set up. In this matter I was supported not only by the Members present here who were on that Committee, but I found that a gentleman like Sir Purushotamdas Thakurdas, who was a real opponent of the Shareholders' Bank some years ago, was also convinced and he said nothing in favour of a State Bank. He did not oppose the Shareholders' Bank. Sir, if I might relate one fact, I found him to be in favour of the Shareholders' Bank, not only in London, but from the day that we together left Bombay on the S.S. "Rajputana", he was in favour of the Shareholders' Bank. (An Honourable Member: "Does he hold that opinion now?") He may or may not, but as long as we were there and as long as the deliberations went on, we wanted him to throw whatever light he could, and he was quite agreeable to have the Shareholders' Bank; and his views constituted a great deal of guidance for us, because when we saw that a great previous opponent of the Shareholders' Bank was convinced in favour of a Shareholders' Bank, we thought there was nothing left in the contention for having a State Bank at that time. Therefore, we found that all sensible people were convinced at the time that a State Bank was not a feasible

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Bank. I may even relate, for the information of this Honourable House—I am afraid, my friend, Dr. Ziauddin Ahmad, is not present now, as otherwise I would have reminded him of it—that there sat with the Committee on this Bill the members of the other Committee as well and attended the meetings and listened to the deliberations of this Committee. They were not allowed to speak or to vote, but they were allowed to sit there. Dr. Ziauddin used to sit next to me and he used to point out to me many matters which were either good or bad. His views were always communicated to me and he never, even for a moment, told me that the State Bank was a feasible Bank and, therefore, I should vote for it and not for the Shareholders' Bank. In fact he was also of the same view, but I do not know under whose influence he has now become of the opinion that a Shareholders' and not a State Bank is in the interests of this country. It can be said that the Members who are sitting on Government Benches might have been influenced by Whitehall, but I do not know wherefrom the inspiration has come to those people, who had no judgment of their own at that time, and now they are simply following the judgment of other people. (*A Voice*: "It is due to Delhi atmosphere.") If it is thought that whatever opinion they were holding in London, it was due to the cold climate of that place, then I must say that they are mistaken because the temperature of London was on occasions 95 degrees. It was a very healthy climate and not a cold one. If the climate had anything to do with the change in their outlook, it must be the depression and heat which they felt after their return from Simla. These people have changed their views, because they read the literature of some irresponsible people and do not wish to use their brains. They want to live on agitation only. I do not blame these Honourable Members. I think they are perfectly justified in advocating the case of the State Bank, because there will be elections in the near future and they have the apprehension that the life of this Assembly will be over after the Simla Session. They want, therefore, to enlist the sympathy of a certain section of the press which will extol them to be the real champions of India. If they want the agitation to be carried on for this purpose, then I can understand their position and am prepared to give them some latitude, because they have not got a perfect hold on their constituencies. But let me tell these Honourable Members that I am not at all affected by the temporary agitation. As long as I am here to represent my constituency, I must act in their best interest, whether they like it or not.

**Dr. Ziauddin Ahmad:** I rise, Sir, to make a personal explanation. I regret that I had gone out, and could not follow the distinguished speaker. I would like to point out that, at the very outset, when this Bill came before us at Simla, I delivered the same kind of speech that I have delivered here today. The Select Committee did not give any argument to change my opinion. In fact, elected Members of this House are against it. As regards London, my Honourable friend, Mr. Yamin Khan, knows that I was not a member of the Committee! I was only a visitor. Lala Ram Saran Das expressed his opinion in favour of a State Bank. I induced him to put his opinion in the Report.

**Mr. President (The Honourable Sir Shanmukham Chetty):** Why did not the Honourable Member induce Mr. Yamin Khan?

**Dr. Ziauddin Ahmad:** He changes his opinion like Sir George Schuster!

**Mr. C. S. Banga Iyer** (Rohilkund and Kumaon Divisions; Non-Muhammadan Rural): As a reference has been made to a Member of the Council of State, who is not present in this House, and as I was travelling with Mr. Ram Saran Das in the same boat, I am in a position to state that wisdom did not dawn on him because of the inspiration of the Honourable gentleman to my right.

**Mr. Muhammad Yamin Khan:** It may be so. My friend has said that I would change like the flower that changes its face with the sun or I would change my views simply because Sir George Schuster thinks that way. I would do nothing of the kind. I have criticised the giving of these 80 lakhs, and the members of the Joint Select Committee know it very well. Sir, let me tell the House that where I feel strongly nothing can induce me to change my views, whether it be Sir George Schuster or the Viceroy. Once I am convinced of a thing, I will stick to it to the last. No temptation or fear can make me change my view. Neither the jeers or the taunts of my friends on this side of the House, nor the admiration of my friends on the other side can have any effect on me. I respect my own convictions and that is the reason why I feel that a Shareholders' Bank is in the interests of the country and, therefore, it must be supported. Dr. Ziauddin knows it very well that I was the only man who stood up in the other Committee and tried to combine the Hindus and the Muslims to put up a fight. I can assure him that no temptation can induce me to give up my position when I feel strongly. It is not my character. It may be the character of those people who are always on the look-out to become members of some Committee. People have changed their views on the Ottawa Bill simply because it helped them to find their place on some other Committee. But he is wrong when he says that I am of that calibre. I must defend myself and I am sorry that I have generated some heat, but if I had not taken up the challenge, it might have been thought that I accepted his statement. But I am ready to fight this thing out before people who are in the know, and they will bear me out that I am right and that he is wrong. On many occasions it has happened to me in my profession as a Barrister that my clients wanted to put certain questions, but as I thought that they were not in their interests I did not do so. I simply refused to put those questions. I had to look to their interests. I was appearing to safeguard their interests and not to put questions which they wanted me to put.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair thinks the Honourable Member has sufficiently vindicated himself and he can now proceed with his speech.

**Mr. Muhammad Yamin Khan:** I am convinced, Sir, that the Shareholders' Bank will be in the interests of India on many grounds and I would like to warn my friends that they must be guided by the balance and see what is good and what is not. Whether they accept one thing or the other, they should not precipitate something which they may have to repent later on. One point I would refer to in the speech of Sir Cowasji Jehangir, and I support him in this respect. He says that it will be impossible for the Governor General to refuse a united demand of the Ministry for an amendment of the Bill later on. If the Ministers are convinced that a certain change is essential in the interest of India

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and if they feel that the Reserve Bank is not functioning in the interest of India and if they feel that an amendment is necessary, the Governor General will have to give sanction and he cannot refuse it. I have also asserted this point on many occasions. Even if it is said "Governor General in his discretion" and even if he receives inspiration from the Secretary of State, he may not act according to that inspiration. The Governor General is not bound to consult the Secretary of State. He is the man on the spot and there may be many matters on which he is not bound to consult the Secretary of State. Even if the Secretary of State asks the Governor General not to give sanction for the introduction of amendments in the Act, the Governor General might tell him that the whole Ministry, backed by the Legislature, unitedly want certain amendments and, therefore, he has to give sanction. If the Governor General does not give sanction for the amendments, then the Legislature might throw off the Budget, and it will make the position of the administration very hot. If the Ministers put up a united front, supported by the Legislature, for the introduction of certain amendments in the interest of India, the Governor General cannot refuse to give sanction. It may be a totally different thing if the Ministry does not represent the views of the majority. If the Ministry wants to bring in an amendment just to favour its own Party, there will be the other Party in opposition who may not want the measure. In that case, the Governor General will be justly right in refusing to give sanction, because it would not be the view of the majority of the Legislature to have amendments. It may be that the minority temporarily in power may want the amendment. In all Constitutions a safeguard is given to the head of the administration to judge whether a particular view represents those of the majority in the country or not. The Governor General, as an impartial man, will judge properly between the opposing views. It may be right to say that the Governor General may be inspired from Whitehall, but eventually he will have to abide by the united demand of the Ministry. The Government have already had sufficient experience of non-co-operation by the people and if the Governor General finds that his own Ministers, with a united voice, become non-co-operators inside the Cabinet holding the position they do, it will be impossible for the Governor General to fight them unless he introduces martial law. The Constitution will not then function. So this is not a point on which we should lay much stress. We must content ourselves with being conscious of our own strength and not our weakness or the strength of other people. I say, we will be sufficiently strong to fight against the Governor General. It is right that the power of moving amendments should not be given to private Members. If such power is given to private Members, then, after two or three years, a private Member may bring forward an amendment to the effect that the Bank may be considered to be a State Bank. In such a case, is it not necessary that proper safeguards should be made for the shareholders and that they should not be left to the whims of the people who may be adorning these Benches after three or four years? The power to bring amendments should be vested in the hands of a man who really understands the position and who is able to safeguard the interests of the people concerned and who will receive representations from the people concerned whether a change is desirable or not. Therefore, it is desirable that the Governor General should have this power, but there is a fear that the Governor General may not exercise it in the interest of India. I have already shown that that

fear has no legs to stand upon. Therefore, I whole-heartedly support Sir Cowasji Jehangir on this point, but I do not agree with him *in toto* as regards the ratio question.

I must say frankly that my Honourable friend, Sir Cowasji Jehangir, has been consistent throughout in his attitude on this ratio question. The position he has taken now is the same as he took in the London Committee. He was of opinion that the prevailing ratio at the time of the passing of the Act should be fixed upon. My Honourable friend would remember that, at the time when this Committee was going on, there was the World Economic Conference and we were not sure what would happen. Everybody was of opinion that the Government might be able to change the ratio within this time. So this point was decided, because nobody was certain what will be the ratio between the time when the London Committee was sitting and the time when the Bill would be introduced. Therefore, it was argued that it must be the ratio at the time when the Bill was introduced. The attitude of my Honourable friend has been consistent. Is my Honourable friend prepared to say today that the ratio should not be 1s. 6d., but that it should be 1s. 4d.? If he is not prepared to say 1s. 4d., then he ought to say 1s. 6d. His position does not change. He knows that Government cannot continue to have 1s. 6d. for all time. They have to alter it. If we change the 1s. 6d. ratio, what will be the effect on the market? If, later on, when Sir Cowasji Jehangir brings forward a proposition to alter the ratio, I shall certainly support him if I were convinced of the step he would take, otherwise I would oppose him. Because my fear is that people, who are carrying on trade at this time

4 P. M. with England and other countries and have placed their orders on the basis of a ratio of 1s. 6d. and the goods have not been supplied yet, will suffer. Take Delhi, for instance, which is a big market and places a lot of indents with the firms in England.

**Sir Cowasji Jehangir:** Does my Honourable friend realise that whatever you may do in this Bill is not going to have any effect at all? My Honourable friend is only beating about the bush.

**Mr. Muhammad Yamin Khan:** I am coming to that point. I was saying that the people have placed their orders on the basis of a ratio of 1s. 6d., but if once the slightest indication is given by Government that they are agreeable to a change even in this Bill, it will create a bad effect on the market. People will cancel their orders, and prices will come down or go up in certain respects. Many people will be ruined and there will be many who will make lots of money. There may be people who have got big capital invested in foreign banks and they will get 18 annas for every rupee overnight. They will become rich and all these poor people who have placed orders will be ruined, because for every 16 annas they will have to pay 18 annas and the loss of two annas on a rupee will ruin many firms. So any indication of the kind from Government will disturb the equilibrium and create false hopes and false fears. I know that an indication in this Bill will not be final, but still many people will profit. For instance, I will sell my lands and send the money to England at 1s. 6d. and then get it back at 1s. 4d. So this will benefit many people at the expense of others who will not be so alert. I do not, therefore, think that it is advisable for Government to give any sort of indication in this Bill. They may do anything, but they must stop speculation. Even if they have to change the ratio tomorrow, they must say today that they are not going to change it; and it should be changed only overnight. Because it is only the speculators who will gain and the

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poor people will suffer unnecessarily and be ruined. Therefore, I am sorry to say that unless I am convinced by further arguments later on, I shall have to vote against the amendment with regard to this point. During the Delhi session of 1927 I was not a Member of this House, but at that time I was of the opinion that a ratio of 1s. 6d. was beneficial to India, but I may say that at present I am convinced that 1s. 4d. is and ought to be the real and proper ratio. But it would be impracticable to express any opinion on it at this stage. It will have no effect even if you put it in this Bill unless you alter the other Bill which was passed in 1927. It has been explained by the Finance Member and it has been explained by the Committee also that they accept the 1s. 6d. ratio in the Bill on the full understanding that they are not going to confirm the action of Government in having brought that Bill or in any way to support the Bill of 1927. It is a clear understanding and we are not bound by the ratio in this Bill to support that Act, but in this Bill we cannot change that ratio as long as it stands and as long as it is the *de jure* ratio of the time.

One Honourable gentleman has stood up for the stockholders' scheme, and I see that that amendment will be coming up. I do not think it requires any great comments at this time and I think that scheme will not find any support from any quarter of this House. A stockholder may be a shareholder, but he will not have any vote and any voice in the management of the Bank, and still his capital and money will be invested there. So we cannot support the idea that his capital will be invested there and he will still have no vote. Therefore, it cannot find support anywhere. I am glad that Bhai Parma Nand came out to support the Shareholders' Bank and I congratulate him on the fact that, in spite of all the agitation he was giving expression to, what he was convinced of is right, without being led or coerced by anybody.

Sir, I have to say one word more and that is about the point that people who buy one share of Rs. 100 should not have a vote, but people who take five shares will get that vote. On that point I would have greatly liked that the poor people, for whom I have stood up from the very beginning and who will buy one share of Rs. 100, should be allowed one vote. As a matter of fact, I was of this opinion in the beginning and in London, but after great deliberation and after counting up the probable figures of voters, I found that the election would become a farce and, as Dr. Ziauddin Ahmad has said, the people will not exercise their vote as the small shareholder will not take interest or the trouble to attend meetings. He will not travel from place to place and spend money, but will simply send his proxy. We should see that there is real and effective voting. A man, who has a 100 rupee share in the Delhi Area and resides in Allahabad, cannot afford to come to Delhi and so he will simply send in his proxy; and I say that we must reduce this proxy system to a minimum and this can only be done if we give voting power to the man who holds a larger interest. So I think a man, who holds Rs. 500 worth shares, will have greater interest rather than the man who holds a Rs. 100 share. Also, if you give the vote to smaller shareholders, the electorate becomes very vast and it will be next to impossible to have a proper election, and people will come in simply through agitation and propaganda and not real businessmen whom we want. Therefore, I think the 100 rupees scheme is not really in the interests of the country and will

not attract good Directors. We want only the best men and they will come in only through larger shareholders.

As regards Rs. 20,000 limit, I was of that opinion and I am still of that opinion and, if that amendment comes in, I will certainly support it; but my condition is that I must find response in other matters: they cannot curtail anybody's rights, and if they are ready to curtail the rights of the Northern Area, I will conclude that they are not sincere. If they are ready to support me, I am ready to support them; but I will first of all see whether they act and vote in the larger interests of the people as a whole.

As regards this 75 per cent. for Indians and 25 per cent. for Europeans, I am not ready to accept that the number of Indians should be only 75 and not 76 (*An Honourable Member*: "Minimum of 75."): in practice, it is impracticable: supposing shares Nos. 1 to 75 are given to Indians and Nos. 76 to 100 are given to Europeans and they are told they can transfer only as between themselves, Indians to Indians and Europeans to Europeans, it may happen that an Englishman may wish to sell to an Indian and an Indian to an Englishman: Supposing today's closing shows that shares Nos. 76 and 77 have been sold by Europeans to Indians and 25 Indians are ready to sell their shares: what will happen? There will be a clamour as to who has the first right to sell his shares and in every way this will lead to all sorts of troubles and practical difficulties. I cannot, therefore, agree to this on account of its impossibility in working and I am glad that my friend, Mr. Mitra, also supports this view and that he will not support this kind of amendment. Besides, this is not the time when we should make any community unnecessarily hostile to us. The Constitution for India is now in the melting pot and we want the best of relations between Indians and Englishmen: but by this we will be exciting the British nation without rhyme or reason and with no benefit to us at all. It would merely make them hostile: the whole future depends at present on the goodwill of the people who are going to make the Constitution for us: we must try to get the goodwill of those people and not make them hostile to us. It is impolitic to do so and make them unnecessarily hostile to us. We must show that we are ready to co-operate with them and we will not treat them badly when we have the power. We say, the London City wants this, Whitehall wants this: but how will you treat the English who are living in India when you have the power? Do you want to show that you are prejudiced against them from the beginning? If you do so, how can you expect them to transfer their rights to you? That is the real problem in India: if we are not to make them hostile to us, we must show that we will safeguard their interests as jealously as we wish them to safeguard our interests. We must do to them as we wish them to do to us. So I support the consideration of this Bill and I hope that the Bill, as it has emerged from the Select Committee, with a little amendment, as I have indicated, will be passed.

**Some Honourable Members:** The question may now be put.

**Mr. President** (*The Honourable Sir Shanmukham Chetty*): The question is that the question be now put.

The motion was adopted.

**The Honourable Sir George Schuster:** Sir, I think, after the speeches that we have listened today, I may assume that the House wishes to proceed further with this measure and that the actual motion which is now before it will be generally accepted. Therefore, no long speech is required from me at this stage, even if there were time available to make it. I have, I think, been in a somewhat unusual position in the course of this discussion, for the House has been in a frame of mind in which it has not been contended that all who sit on that side of the House are angels with shining wings and all who sit on this side are devils with an evil purpose. In fact, I have had the unusual pleasure of listening to a number of speeches made by Honourable Members in all quarters of the House, including those opposite to me, in which the points that I myself have had down to make have been made much more effectively than I myself could ever have done. In fact, Sir, in other words,—the words of my Honourable and extremely learned friend, Dr. Ziauddin Ahmad,—I have come to the conclusion that in relation to this debate, I am nothing more than a *nimboo-nichor*. (Laughter.) I hope that I have used the right word. All I have done is in my opening address to squeeze a few drops, I hope not too acid, into the general soup, and in return I have had a most magnificent meal lasting for four days. But even so, there are a few things that I must say, and I supposed that even a *nimboo-nichor*, when he takes leave of his host, does say a few words before he poeks his lemon and goes off to squeeze it into somebody else's soup.

Now, Sir, I do not propose to follow the methods of the various Members who have spoken,—some have been grave, some very gay, some extremely eloquent. My friend, Mr. B. Das, complained that he missed the twinkle in my eye when he was speaking, but I assure him that it was there whenever he said anything worthy to evoke a twinkle. My friend also complained, on the first day, that there was a lack of fire in this debate, but I think that even he must have been satisfied today, and for my part I do not think that this is an occasion to weary the House with any long oratorical performance. Nor do I claim what my friend seemed to think that I might claim to earn a lasting name for my connection with this measure. Sir, this is a business proposition, and we have got to consider it in a business-like way. I think that it has been considered in an extremely businesslike way, and I should like to pay a tribute to the House, a tribute that I have already paid to the Committee, for the manner in which they have dealt with this measure. It has been customary on the lines of what my friend, Mr. B. Das, said, and on the lines of certain articles in the press, to compare this occasion with the last occasion on which a Reserve Bank was discussed, very much to the detriment of the present occasion. I venture to take an entirely different view. I think that on this occasion we have approached the matter in a businesslike way. We have attempted on all sides of the House to get the best measure that is possible, and I hope that we are going to differ from the last occasion in the most important way of all namely, by producing a practical and constructive result. I venture to think, Sir, that the country will be grateful to this Legislature for its work in this matter.

Now, Sir, there are perhaps four main points on which I ought to say something, and I wish to touch upon them in no sort of controversial spirit, for I have never looked upon this measure as a matter of controversy, and I would like Honourable Members to believe that, so far as I have had anything to do with it, and so far as I shall be handling it in the future,

I have really only two things in view, first of all to do what I can to help in producing a Bank which will work well in the future, and secondly to co-operate with this Assembly in gaining a good name for itself by its statesmanlike treatment of the present problem.

Now, Sir, the first main issue that has been raised has been what I might describe as difficulties arising out of the constitutional position. Those have been so ably dealt with already today, particularly by my friend, Sir Cowasji Jehangir, and re-inforced just now by Mr. Yamin Khan, that I really need say very little about them. I had thought myself at the beginning that a good deal would be said on this matter, and I can quite understand that Honourable Members sitting in this House and thinking of the future might say to themselves, "Here we are passing a measure which is going to be built in as an essential part of the framework of the new Constitution. Until we see that new Constitution, and until we see how the Constitution Act itself will pick up certain features of that measure and make them features in an Act of Parliament which we cannot ourselves alter, until we see all that, we ought not to be asked to proceed with this measure." That, Sir, I think is a perfectly logical attitude. It is an attitude which, if I were an Indian, I should have very seriously considered. But is it a practical attitude? Is it really going to achieve any good; if you wait, what are you going to achieve, if you wait what are you going to lose? I think you will achieve nothing and you will lose a very great deal. We want to get on with setting up this Bank as early as possible. We cannot say exactly when that will be, but at any rate, this measure must be passed first. We want as early as possible to get this Bank into being, so that it may be well established and functioning successfully before the new Constitution comes. Therefore, I would reply to Honourable Members who feel these doubts, "by waiting you will lose the chance of all that, and, as I have said, I cannot see that you will gain anything, for I am one of those who entirely share the view expressed by my friend the leader of the Independent Party that, in the future all those safeguards that you fear will be of very little effect, unless perhaps occasions arise, when you yourselves may be glad of them, to save the country from really unwise action by a Government that may be holding power temporarily. I believe that you will get all the power that you need, all the power that you can want, and in those circumstances, it seems to me that the only statesmanlike way is to proceed with this Bill and do all you can to make it a good measure".

Then, Sir, there is the next big issue, the issue of the State *versus* a Shareholders' Bank. That has been very fully discussed, and I hope that by now a very vast majority of this House is convinced on that matter. It seems to me that a good deal of play, misleading play, has been made over the expression 'freedom from political influence'. Honourable Members have said they appreciate that principle but that the principle itself will be violated if the Governor General is there to exercise political influence from another country. But that, to my mind, entirely misses the essential point. What we have always meant in our own minds when we have talked about freedom from political influence is that the Bank should be set up as an authority which can stand up and take an independent line *vis-a-vis* the Government of the day. My Honourable friend, Mr. Neogy, quoted from what I myself said at Simla on this matter, where I pointed out in the simplest possible terms that we want to create a position where the Government as the chief user of money in the country should not itself be the authority which has the control of the creation

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of money. When it wants to get money it ought to have to go to an independent authority and make out its case just as any private individual has to do. It ought to maintain a sound position and not be able to reinforce its position by turning on the printing press in case of need. That, Sir, put very simply is the essence of the position, and what we have felt is that unless you set up a bank on a shareholder basis you cannot be assured of creating and maintaining that position. I think that very simple issue is the one on which this part of the Bill ought to be tested. It is no answer to that to say that political influence will come in *via* the influence of the Governor General. It is quite true that Honourable Members may regard the Governor General of the future as a political individual inasmuch as he will have to listen to what the Secretary of State says to him. But that is an entirely different kind of political influence from that which it is the essential purpose of this measure to guard against. I think, moreover, that it is proper to regard the Governor General as a head of the Government and as fulfilling the role which in many other bank statutes the head of the Government has to fill. Anyhow, the essential purpose, whatever the objections may be to the position of the Governor General—the essential purpose cannot be achieved unless we set up a really independent authority. My Honourable friend, Mr. Mudaliar, hit, I think, exactly on the head the nail of the difficulty in the other case when he pointed out that the essential difficulty as regards a State Bank was how the Board of Directors was to be elected. My Honourable friend, Mr. Neogy, in answer to him said that he had proved too much, and then I think he promptly fell into the same error himself because he quoted from a book which advocated not merely that the Central Bank in a country should be a State Bank but that the whole of the banking organisation of the country should be socialised. I do not think that there are many Members in this House who wish to go as far as that.

Then, Sir, the third main issue is this question of the ratio which many Honourable Members have touched upon in their speeches. I do not intend now in the short time at my disposal to deal fully with that issue. If Honourable Members insist on discussing it, I shall have to say something because there is a great deal to be said on our side and I cannot allow the sort of statements that have been made to remain unanswered. But for the moment I only want to say very little. I want to address my remarks, in the first place, particularly to my Honourable friend, Dr. Ziauddin Ahmed, because he put a special challenge to me. And there is another reason why I do so. My Honourable friend—I hope he will excuse me for being personal in this matter—my Honourable friend has on many occasions shown us in this House that he is one of those who approaches problems with a completely independent mind. If he is convinced, he does not mind getting up and saying that he has been in the wrong. He thinks out these problems for himself and I want to ask him to turn back to this problem and think it out again for himself. In the first place, I would ask him, and I would ask the whole House to realise, as I am sure that in their minds they really do, that we on this side in maintaining a particular policy are neither crass fools nor wicked knaves. I think they should do us the credit for assuming that in taking the line that we have done we have been influenced by serious considerations and there must be a great deal to be said on the other side if we maintain this line in spite of a good deal of criticism.

The next point I want to put to my Honourable friend as a scientist, that he will appreciate, is that you cannot make something out of nothing and that if by changing the value of your unit of currency you are going to benefit a certain class you must simultaneously do something to prejudice another class. I would like to ask him to consider this whole problem on that basis considering where the benefit would come and where the corresponding loss would occur. There are no magical remedies possible in this world. You cannot make something out of nothing. You cannot increase the country's wealth by merely changing the value of the unit of its currency; all you can do is possibly to alter the distribution of that wealth in the country.

The third point that I would put to my Honourable friend is to sit himself down and consider the case of typical cultivators. I presume that he has the case of the cultivators chiefly in his mind. Let him go into their position and consider exactly how they would be affected if he were to change the value of the unit of currency. I should be very pleased to set him a little examination paper on that subject and give him questions to which he is expected to supply himself with an answer, and I venture to think that he will come out from answering that examination paper in a very different frame of mind to that in which he spoke the other day.

The last point that I would put to him is the effect of any change of this kind on the country's balance of trade, or on the country's balance of payments, for that is the point on which he specially challenged me. My Honourable friend stated it as axiomatic that as soon as the gold exports from this country dried up we should be left in a position in which we should have no favourable balance of payments sufficient to meet our external obligations; and he advocated a change because he thought that was the only way out of that particular difficulty. It is, of course, a fairly well known experience that when any sudden drop in the value of a country's unit of currency is made it tends to stimulate exports from that country and to diminish imports. But that is a very temporary effect; it offers, it can offer no permanent solution. But as to the need of even a temporary measure of this kind to save India from disaster, I would ask my Honourable friend to examine the actual facts of the position, and I think he will find that he has taken much too pessimistic a view. It is quite true that last year when we had a very large volume of exports of gold to swell the favourable balance of payments of the country the actual favourable balance of trade in merchandise was not more than Rs. 3 crores; but that is largely because the country having foreign balances available from the sale of gold was able to bring in imports in larger proportion to its exports of merchandise than would otherwise have been the case. If my Honourable friend will examine the figures for this year he will find that in the first seven months to the end of October this year the favourable balance of trade in merchandise has been about Rs. 20 crores, so that even though the country still has a very large favourable balance of payments on account of gold and therefore might be expected to be importing merchandise out of proportion to the exports of its merchandise, in spite of that fact the normal state of affairs seems to be re-asserting itself and it looks as if we shall end up the year with a favourable balance of trade in merchandise of Rs. 35 to 40 crores. That being so, the desperate position to which my Honourable friend referred certainly looks like being averted by natural means. I would ask my Honourable friend

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to consider these points and I would ask every other Member of this House to consider them. As I have already said, I do not wish now to enter into full argument on the issues. I only wish Honourable Members, if they wish to argue the case in future, to do so in a fair spirit and to recognise that there is a great deal to be said on both sides. Then, Sir, my Honourable friend, the Leader of the Independent Party, raised the same issue in a different way. He is more concerned with what ought to be the legislative provisions in this measure. Now, as to that, I think I made my position and the Government's position perfectly clear. I am not quite sure that I followed what my Honourable friend had in mind when he said that we ought to preserve the spirit of the agreement reached in London. My Honourable friend went on to say that it was well understood in London that no one on either side was to be finally committed in any way by this Bill. That, Sir, is exactly the position which I attempted to explain the other day. The Bill picks up the provisions of the existing law. It has to do that. Whatever we do, we must make it clear that the provisions of the existing law are going to continue and, if we were to adopt any other course, we should be grossly deceiving the public, because at present we have not the slightest intention of altering the provisions of the existing law. If we seek to disguise our intention by turning those clauses into blank cheques to be given to the executive Government, then I maintain that we should be deceiving this House and we should be deceiving the public and we should be opening the way to all those dangers which my Honourable friend, Mr. Yamin Khan, so clearly pointed out. We ask nothing from this House in the way of further confirmation of the present position. We carry the responsibility and we cannot shirk that responsibility. As this matter has to come up and as it must be incorporated in this Bill, we have taken the only honest and straightforward course and made it quite clear that, so far as we can see, there is to be no change in the present position. That, Sir, is all that I need say on that matter, but, before I leave it and turn to the next point, I would like to mention something which connects what I have just said with what I am going to say. We feel that we are taking the right course. But, I wish no one to suppose that we do not fully recognise the gravity of the present position. We recognise that steps may have to be taken to deal with many difficult problems and the most important and the most difficult problem of all is the increased burden of the money debts which lies upon the agricultural classes of this country owing to the fall in the prices of their produce. That, Sir, is a most urgent problem. In a sense, it is not, so we feel, an immediately and extremely pressing problem, because, in fact, the position at present is that the full burden is not actually being felt by the agricultural classes for the simple reason that they are not meeting the interest payments due from them. That means that there is a certain elasticity in the present system which has to some extent relieved the agricultural classes from the worst of the troubles caused by the present fall in prices. But that does not mean that the problem is not there and that it is not a problem that requires most urgent consideration and may require drastic treatment by the various Government authorities in the country. We believe that the best course will be to deal with that problem directly and not indirectly on the sort of lines those who advocate changes in currency have in mind; and that brings me to the last point with which I wish to deal, namely, the line of argument used by my Honourable friend,

Mr. Sitaramaraju, in advocating that this Bank should at once and from the outset contain a rural credit department. With the arguments on which he supported his proposal, we must all of us sympathise; but, Sir, we must be practical, and I venture to think that those who imagine that by creating a rural credit department in the Reserve Bank they would make any serious contribution to solving the problem of rural indebtedness and rural credit are seriously deceiving themselves. The problem is much larger than that. The rural indebtedness of this country must be something like 900 crores. The capital that could be put at the disposal of the rural credit department of the Central Bank could hardly be more than three to five crores. With that amount of capital, you cannot possibly tackle that particular problem, nor will it be possible for a Central Bank, put this proposal alone, even to get into touch with the problem, because, after all, that problem lies in the field of the masses of small money lenders throughout the country who at present could not possibly be linked up with the Reserve Bank. We feel that the problem must be approached from two sides; that action must be taken tunnelling from both sides with the hope that the two sides of tunnellers will meet. But it must first be taken up from the provincial side and some sort of organisation must be created before it will be possible for a Central Bank to get into any direct contact with the problem. We are most anxious that that problem should be studied and we believe that through the machinery of this Reserve Bank you will have an organisation which can study that problem from the top and hold out a hope to those who are working from below, that there is some chance that if they work up they will find something to meet them at the top. But we do not believe that by taking hasty action now you will do any particular good. My Honourable friend quoted the experience of Australia, but he was only able to give us the provisions of the Australian Act. He was not able to give us any account of how those provisions had worked in practice, and I would ask him to remember that conditions in Australia are so entirely different to conditions in India that, even if he had been able to quote Australian experience, it would hardly have afforded a valuable parallel. In Australia, you are dealing with a comparatively small population of highly educated and comparatively wealthy people, large farmers who understand dealing with banks and who can keep accounts, and so on. But even so I am told by Sir Osborne Smith who has a very wide experience of Australia that attempts to form rural credit institutions have been on the whole faced with terrible difficulties and on the whole singularly unsuccessful. It is an extremely difficult problem and the problem in India is quite different to that in any other country.

Now, Sir, that is all I think that I need say at the present moment. We must look forward to further careful consideration of this measure as we proceed with the later stages of the debate, and I can assure my Honourable friends opposite that we shall deal with any suggestions that they have to make with the greatest possible sympathy, actuated by only one desire, and that is to produce the best possible measure; and if, out of this measure, we can start anything which is going to help to solve, what I have already said I regard as the greatest problem in India today, the problem of improving the financial position of the agricultural classes, we shall most certainly welcome the opportunity. (Loud and prolonged Applause.)

**Mr. B. Sitaramaraju** (Ganjam *cum* Vizagapatam : Non-Muhammadan Rural): Sir, I do not wish to press my amendment to the vote in accordance with the wishes of my Honourable friends on this side who have been pleased to give me support throughout their speeches for the point of view I have taken. Whatever remarks are called for with regard to the remarks which have now been made by the Honourable the Finance Member, I shall put forward at the subsequent stages when the opportunity comes. With these few words, Sir, I do not press my amendment.

The amendment was, by leave of the Assembly, withdrawn.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That the Bill to constitute a Reserve Bank of India, as reported by the Joint Committee, be taken into consideration."

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Friday, the 1st December, 1933.





## LEGISLATIVE ASSEMBLY.

Friday, 1st December, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

### QUESTIONS AND ANSWERS.

#### NECESSITY FOR A TRADE MARKS LEGISLATION IN INDIA.

1223. \***Mr. S. C. Mitra:** (a) Has the attention of Government been drawn to a leading article which appeared in *The Forward*, a newspaper of Calcutta, in its issue dated Sunday, the 8th October, 1933, pleading for a Trade Marks Act in India?

(b) Is it a fact that, as alleged by the paper in question, India is the only country in the civilised world which has no trade marks law of its own?

**The Honourable Sir Joseph Bhore:** (a) Yes.

(b) There is no law specifically providing for the registration of trade marks in this country. Government are not aware whether or not any other country is in the same position.

#### NECESSITY FOR A TRADE MARKS LEGISLATION IN INDIA.

1224. \***Mr. S. C. Mitra:** (a) Will Government be pleased to state whether their attention has been drawn to the statement made on the floor of the House of Commons by the Secretary of State for India during the last winter session that the question of introducing the necessary legislation on the subject of trade marks in India was engaging the attention of Government?

(b) Has Government's attention been drawn to the statement made by the Secretary of State in reply to a supplementary question in the House of Commons at the same meeting, in which the Secretary of State agreed that the absence of such legislation in India affected adversely British trade marks in this country?

(c) Do Government propose to take any action thereon? If so, what and when? If not, why not?

**The Honourable Sir Joseph Bhore:** (a) The Honourable Member is presumably referring to the reply given by the Secretary of State for India to Mr. Hannon's question in the House of Commons on the 1st May, 1933. The Secretary of State merely stated that he had no doubt that the Government of India would give due weight to the resolution of the Indian Chambers of Commerce recommending introduction of legislation for the registration of trade marks in India.

(b) No such statement appears to have been made by the Secretary of State for India.

(c) The question of undertaking legislation for the registration of trade marks is engaging the attention of the Government of India.

**Mr. S. C. Mitra:** May I know for what length of time this law is being contemplated, and is it likely that Government will be able to take action in this matter in near future?

**The Honourable Sir Joseph Bhore:** I am afraid I cannot give my Honourable friend any precise information on that point, but I can assure him that I personally recognise the importance of this matter.

#### INFRINGEMENT OF LANCASHIRE TRADE MARKS IN INDIA.

1225. \***Mr. S. C. Mitra:** (a) Will Government be pleased to state whether their attention has been drawn to a cable sent by Reuter from London on October 27, 1932, on the subject of infringement of Lancashire trade marks in India and published in the *Statesman* of that date?

(b) Will Government be pleased to state whether the allegations made by the Chairman of the India Committee of the Manchester Chamber of Commerce that although common law gave protection to trade marks, in India such legal process was always uncertain, difficult and costly and that the Japanese knew and took advantage of them, have received the Government's consideration? If so, what action do they propose to take? If not, why not?

**The Honourable Sir Joseph Bhore:** (a) Yes.

(b) The statement referred to related mainly to cases of infringement of trade marks and designs on piecegoods imported from the United Kingdom. The existing law provides a simple remedy for such infringements in so far as they fall within the mischief of clause (d) or clause (e) of section 18 of the Sea Customs Act, 1878. In the course of their examination of the question of enacting an Indian Trade Marks Act, Government will no doubt have occasion to consider whether further provision on the point is required.

**Mr. J. Ramsay Scott:** Will Government consider the Japanese law on this question which reads as follows:

"The importation of the articles mentioned below is prohibited: '(4) Articles which infringe rights in patents, utility models, designs and trade-marks and copy rights'."

**The Honourable Sir Joseph Bhore:** Government will consider all relevant matters in this connection.

#### DISPUTES ARISING IN RESPECT OF TRADE MARKS IN INDIA.

1226. \***Mr. S. C. Mitra:** (a) Will Government be pleased to state whether it is a fact that disputes arising in respect of trade marks in India have been on the increase during recent years?

(b) How many disputes arose in each Province before the War?

(c) How many disputes arose after the War?

(d) Are Government aware of conflicting decisions by High Courts in trade marks disputes?

(e) Will Government be pleased to lay on the table a list of cases filed in District and other Courts and also those in High Courts?

**The Honourable Sir Joseph Bhore:** (a) Government have no information.

(b) to (e). The information is not readily available and the Government of India do not consider that the expenditure of time and labour involved in collecting it will be commensurate with the value of the results that are likely to be obtained.

#### INTRODUCTION OF A BILL FOR THE PROTECTION OF TRADE MARKS IN INDIA.

1227. \***Mr. S. C. Mitra:** Will Government be pleased to state:

- (a) whether the Indian commercial community has been asking for the introduction of a Bill for the protection of Indian trade marks in India;
- (b) whether the Indian Commercial and Industrial Congress, now known as the Federation of Indian Chambers of Commerce and Industry, actually passed a resolution at one of its sessions demanding such legislation;
- (c) whether the Associated Chambers of Commerce of India and Ceylon have been making or have made a similar demand;
- (d) whether any representation bearing on the subject has been received from British manufacturers in England;
- (e) whether the Sheffield Company submitted a memorandum on the subject pleading for effective legislation on the subject in India;
- (f) whether all the other important commercial bodies of Great Britain also supported that demand;
- (g) whether any commercial body in Great Britain was opposed to such trade mark legislation in India;
- (h) if the answer to part (g) be in the affirmative, the reasons adduced by them;
- (i) whether it is a fact that in view of the piracy of a number of Lancashire trade marks by Japan during recent years, even those commercial bodies that were originally hostile to the introduction of trade marks legislation in India have now revised their views on the question and would favour such legislation?

**The Honourable Sir Joseph Bhore:** (a) to (c). The answer is in the affirmative.

(d) None in recent years.

(e) Yes, in 1902.

(f) Some of them did so.

(g) and (h). Yes, the Manchester Chamber of Commerce. The reasons for their opposition were explained in a communication addressed by them to the Association of the Chambers of Commerce of the United Kingdom, dated the 12th May, 1903, of which a copy is placed on the table.

(i) Government are aware that commercial opinion on this subject has undergone a change, but they are unable to say whether the change is due to the alleged piracy of Lancashire trade marks by Japan.

FROM ELLIOT HELM ESQ., SECRETARY, CHAMBER OF COMMERCE, MANCHESTER, TO  
EDWARD W. FITZHIAN, ESQ., NO. F.12, 451, DATED THE 12TH MAY 1903.

The Board of Directors of this Chamber has had under consideration the question of Trade Marks Registration in India referred to in your Circular No. 458.

I am directed to inform you that the Manchester Chamber has long been opposed to the separate registration of trade marks in India. Its opposition is founded partly upon long and abundant experience of trade marks administration with reference to the cotton classes (Nos. 23, 24 and 25). When the British Act of 1883 was under consideration the difficulty was foreseen of securing proper registration in these classes owing to the enormous number of marks in use and the necessity of determining beforehand which marks were common property and which were justly capable of appropriation. A Committee of this Chamber was therefore constituted at the request of the Government, and after many months of arduous labour a classification on these lines was made. That Committee (the Trade and Merchandise Marks Committee of the Chamber) still retains some of its original members, and to it have been referred by the Registrar, ever since 1883, all doubtful applications in the cotton classes.

The work of deciding upon such references which is constantly going on cannot be satisfactorily conducted except by persons of large experience, and such it is impossible to obtain in India whether from officials or non-officials. In so far as these classes are concerned, therefore, the establishment of a Trade Marks Registration Office in India would inevitably lead to confusion, and would invite infringement and litigation.

Moreover, Lord Herschell's Clause of the Merchandise Marks Act, section 3 (2), has been found to be highly efficient for the protection of proprietary rights in even non-registered marks. There are India merchants in Manchester possessed of thousands of marks who constantly rely upon it and have in fact many hundreds of marks which they are able successfully to retain under that clause without registration. I should add that the Indian Merchandise Marks Act contains a similar clause which has been found effectual for its purpose.

#### INTRODUCTION OF A BILL FOR THE PROTECTION OF TRADE MARKS IN INDIA.

1228. \*Mr. S. C. Mitra: Will Government be pleased to state:

- (a) whether India is not, and cannot be, a member of the International Convention for the protection of industrial property;
- (b) whether such disability arises out of the absence of trade marks legislation in India;
- (c) whether Indian inventors have to file their applications for foreign patents (exclusive of Great Britain and her Dominions and Colonies) before any publication has taken place in India;
- (d) whether they are aware that this difficulty can be obviated by India joining the International Convention for the protection of industrial property;
- (e) whether, with a view to removing this difficulty they propose to introduce a Trade Marks Bill in this House?

**The Honourable Sir Joseph Bhore:** (a) and (b). India is not a party to the International Convention for the Protection of Industrial Property and she cannot accede to the Convention until she adopts a system of statutory registration of trade marks and establishes a special Government Department for the protection of industrial property.

(c) and (d). The answer is in the affirmative.

(e) The Honourable Member is referred to the answer to part (c) of question No. 1224.

#### EXISTING TRADE MARKS IN INDIA.

1229. \***Mr. S. C. Mitra:** (a) Will Government be pleased to state whether there is any method whereby one can ascertain existing trade marks in India?

(b) If the answer to part (a) be in the affirmative, will Government be pleased to lay on the table a statement on the subject?

(c) If the answer to part (a) be in the negative, will Government be pleased to state the reasons therefor?

**The Honourable Sir Joseph Bhore:** (a) and (c). Government have no information as trade marks are not officially registered.

(b) Does not arise.

#### DIFFICULTY EXPERIENCED BY INDIAN MERCHANTS IN SELECTING A NEW AND DISTINCTIVE TRADE MARK FOR MARKETING THEIR PRODUCTS.

1230. \***Mr. S. C. Mitra:** Will Government be pleased to state:

(a) whether their attention has been drawn to the great difficulty experienced by Indian merchants in selecting a new and distinctive trade mark for marketing their products in the absence of facilities for an examination of existing and other trade marks, and a central registration office;

(b) whether there is any means by which the ownership of a current trade mark can be ascertained;

(c) how the respective territorial rights can be determined in case of concurrent use of the same trade mark by different persons in different parts of this country?

**The Honourable Sir Joseph Bhore:** (a) The Government of India have received certain representations on the subject which are under their consideration.

(b) and (c). In the absence of any system of official registration the Government of India are unaware of any method of ascertaining the rights in question other than recourse to the civil courts.

#### EXISTING TRADE MARK DECLARATIONS.

1231. \***Mr. S. C. Mitra:** (a) Will Government be pleased to state whether they are aware that such trade mark declarations as are now made before the Registrar of Assurances and Chambers of Commerce do not afford any protection?

(b) Are Government aware that in practice the existing system has been found by Indian merchants to be useless, as no search for anticipation is being made in these cases?

(c) Are Government aware that the number of such declarations made before the Registrar of Assurances has increased during recent years?

(d) Are Government aware that apart from the Registrars of Assurances and a few recognised commercial bodies, a number of unauthorised private bodies are taking advantage of the increasing demand for trade mark registration and are issuing spurious certificates of registration of trade marks which have been entered in registers kept with them?

(e) Are Government aware that similar difficulties arose in other countries also, as for instance in China, till recent years in the absence of a trade marks Act?

(f) Do Government propose to introduce legislation for registration of trade marks in this country at an early date?

**The Honourable Sir Joseph Bhore:** (a), (b) and (f). The Government of India have received certain representations on this subject which are engaging their attention.

(c) to (e). Government have no information.

#### REGISTRATION OF TRADE MARKS IN CERTAIN FOREIGN COUNTRIES.

1232. \***Mr. S. C. Mitra:** Will Government be pleased to state:

(a) whether they are aware that Austria, Denmark, Germany, Greece, Portugal, Italy, Russia, Spain, France, Sweden, Switzerland and many other countries insist on a certified copy of the corresponding Indian registration being filed with any Indian application for the registration of trade marks in those countries;

(b) whether it is a fact that in the absence of an Indian Trade Mark Act Indian applicants are refused registration facilities in those countries;

(c) whether they are aware that the practice obtaining in many of these countries is that priority of registration entitles one to ownership of a particular trade mark even if such mark or marks may have been used for a considerable time in those countries by some Indian merchants who are denied facilities for registration on account of the difficulties mentioned in part (a) above? :

**The Honourable Sir Joseph Bhore:** With your permission, Sir, I will answer questions Nos. 1232 and 1233 together.

With no Trade Marks Act in force in India it is impossible for Indian Trade Marks to enjoy the benefits which the Honourable Member has in mind in any country the law of which proceeds on the basis of reciprocity. The relevant provisions of the United Kingdom law are contained in section 91 of the Patents and Designs Act, 1907, and I am prepared to take it from the Honourable Member that the law in force in the countries mentioned in part (a) of question No. 1232 proceeds on similar

lines. Equally with no Trade Marks Act in force in India, there it is no question of foreign or United Kingdom trade marks receiving the converse of these benefits in India. As stated in the reply to previous questions, the desirability of enacting an Indian Trade Marks Act, is under consideration. In the meantime the only differential treatment accorded by the law of India to trade marks registered in the United Kingdom or protected by law in a British Possession or foreign country to which the provisions of section 91 of the Patents and Designs Act, 1907, are for the time being applicable, is that by virtue of section 478 of the Indian Penal Code trade marks so registered do not require to be proved to be trade marks for the purposes of a prosecution under sections 480 to 486 of the Indian Penal Code.

#### RECOGNITION IN INDIA OF BRITISH TRADE MARKS REGISTERED IN ENGLAND.

+1233. \***Mr. S. C. Mitra:** Will Government be pleased to state:

- (a) whether it is a fact that British trade marks registered in England get recognition *ipso facto* in this country;
- (b) whether they are aware that evidence of the long use of a trade mark by an Indian merchant in India does not necessarily entitle him to claim prior ownership of his trade mark in England, if the same trade mark had not been registered or used in England;
- (c) whether it is a fact that facilities given to British trade marks in India referred to in part (a) above are not extended to Indian trade marks in England; and whether foreign merchants in India get better protection of their trade marks than the Indian traders;
- (d) what steps Government propose to take in order to remove the difficulty of the Indian merchants in the matter?

#### INTRODUCTION OF A BILL FOR THE PROTECTION OF TRADE MARKS IN INDIA.

1234. \***Mr. S. C. Mitra:** (a) Will Government be pleased to state:

- (i) how many disputes arose concerning "passing-off" actions in every Province before the War;
- (ii) how many arose after the War;
- (iii) how many of these related to questions of ownership;
- (iv) how many related to disputes regarding distinctiveness;
- (v) how many of these cases were amicably settled?

(b) Are Government prepared to introduce a Trade Marks Bill at an early date to remedy such defects?

**The Honourable Sir Joseph Bhore:** (a) The information is not readily available and the Government of India do not consider that the time and expense involved in collecting it will be at all commensurate with the value of the results that are likely to be obtained.

<sup>†</sup>For answer to this question, see answer to question No. 1232.

(b) As stated in reply to previous questions the Government of India have already under consideration the question of introducing legislation for the registration of trade marks in India.

#### DISSATISFACTION ABOUT THE SYSTEM OF EDUCATION AND EXAMINATIONS.

1235. \***Dr. Ziauddin Ahmad:** (a) Are Government aware that there is a good deal of dissatisfaction in the country about the system of education and examinations in principle as well as in detail? Do Government propose to take any steps for a proper enquiry? If so, what?

(b) Do Government propose to seek the advice of the League of Nations in investigating the problem of education at the expense of the League in the same manner as the Chinese Government did a few years ago?

**Mr. G. S. Bajpai:** (a) Every educational system is capable of improvement and is subjected to criticism. As the Honourable Member is aware education is primarily a provincial concern now and the decision as to whether an enquiry is necessary rests with Local Governments.

(b) No.

**Mr. Amar Nath Dutt:** May I ask, Sir, whether the policy that was foreshadowed in the despatch of Sir Charles Wood, grandfather of Lord Irwin, has been strictly followed or whether there has been any change in the policy after the recommendations of the University Commission?

**Mr. G. S. Bajpai:** So far as I am aware, Sir, the basis of educational policy today, with such changes as the lapse of time has necessitated, is the same as outlined by Sir Charles Wood in his despatch.

**Mr. S. G. Jog:** May I ask whether the Government of India as such have got any hold on the Provincial Governments so far as the policy in education is concerned?

**Mr. G. S. Bajpai:** None, Sir.

**Dr. Ziauddin Ahmad:** Are Government satisfied that there is a very strong dissatisfaction among the people on this subject?

**Mr. G. S. Bajpai:** Judging from the Honourable Member's utterances in the House and his writings outside, I should say that there is dissatisfaction at least in one quarter.

**Mr. Amar Nath Dutt:** Is it due to the recommendations of the University Commission of which my Honourable friend was also a Member?

**Mr. G. S. Bajpai:** I am not aware of that.

**Dr. Ziauddin Ahmad:** Is the Honourable Member not familiar with the speeches that are delivered in Educational Conferences, both All-India and Provincial?

**Mr. G. S. Bajpai:** There are so many Educational Conferences nowadays that it is impossible to be familiar with all that is said in those Conferences.

**Dr. Ziauddin Ahmad:** There is one common factor in all dissatisfaction.

**Mr. G. S. Bajpai:** I hope the Local Governments will take due notice of that dissatisfaction.

**Dr. Ziauddin Ahmad:** May I ask whether Government have washed off their hands for all responsibilities as regards educational policy in the provinces?

**Mr. G. S. Bajpai:** It is not for the Government of India to wash their hands of any responsibility. The position follows from the Government of India Act.

**Dr. Ziauddin Ahmad:** Is not the position the same with regard to agriculture? What is the justification in having a special officer for agriculture at the centre and not having the same there for education?

**Mr. G. S. Bajpai:** As regards that, my Honourable friend is fully aware that, for the purpose of co-ordination, we propose to set up a Central Advisory Council on Education.

**Dr. Ziauddin Ahmad:** So you propose to have a similar thing for education?

**Mr. G. S. Bajpai:** The intention of Government is to set up a Central Advisory Body in regard to education.

**Mr. S. G. Jog:** Is it not advisable that there should be an all-India educational policy?

**Mr. G. S. Bajpai:** That is asking for an expression of opinion.

**Mr. Lalchand Navalrai:** May I know if there is any revisional power with the Government of India to cure the defects that are pointed out in the working of the educational policy by Provincial Governments?

**Mr. G. S. Bajpai:** Education is entirely a transferred provincial subject.

**Dr. Ziauddin Ahmad:** Is it not a fact that the Government of India misguided the whole public about the educational policy and now they are leaving the provinces in the dark and do not help them to get out of their difficulties?

**Mr. G. S. Bajpai:** So far as the Government of India are concerned, they have laid no blinkers on the eyes of the Local Governments or any particular individual.

#### NOMINATION OF LADIES TO THE LEGISLATIVE ASSEMBLY.

1236. \***Mr. Gaya Prasad Singh:** Have any representations been received from any associations or individuals, suggesting the nomination of ladies to the Legislative Assembly in view of certain measures affecting their interests pending in this House?

**The Honourable Sir Brojendra Mitter:** No such representations have been received in recent years.

**Mr. S. G. Jog:** Were any such representations received in old days?

**The Honourable Sir Brojendra Mitter:** I understand there were some representations made some years ago, but not in recent years.

**Mr. S. G. Jog:** Does the Honourable Member mean to say that this agitation has been given up by the ladies and that they are not keen about membership in the Assembly?

**The Honourable Sir Brojendra Mitter:** I do not suggest anything of that sort.

**Sir Cowasji Jehangir:** Does my Honourable friend mean to say that ladies were more enlightened in days of old?

**The Honourable Sir Brojendra Mitter:** At any rate it seems they were more enterprising.

**Mr. Amar Nath Dutt:** Will the Honourable Member consider the advisability of having the wives of the Members of the Assembly nominated according to the new electoral rules?

**Mr. President (The Honourable Sir Shanmukham Chetty):** That might interfere with the freedom of speech of certain Honourable Members. (Laughter.)

**Mr. Gaya Prasad Singh:** In view of the fact that certain measures pending in the House affect the rights of women, do Government consider the desirability of nominating some ladies to help us in the discussion of these measures?

**The Honourable Sir Brojendra Mitter:** We shall be prepared to consider the suggestion, but I hold out no hopes.

**Mr. S. G. Jog:** Is it not a fact that certain Provincial Governments have nominated some ladies in the Provincial Councils?

**The Honourable Sir Brojendra Mitter:** I think Madras has done so, but I have no definite information about it.

**Sir Leslie Hudson:** Bombay has done so.

**An Honourable Member:** And also U. P.

**Mr. Gaya Prasad Singh:** Why should the Central Government lag behind Provincial Governments in this matter?

**Mr. R. S. Sarma:** Because Provincial administrations are better in this respect.

**PROSCRIPTION OF CERTAIN BOOKS BY MR. RASH BEHARI BOSE, NOW DOMICILED IN JAPAN.**

**1237. \*Mr. Gaya Prasad Singh:** Will Government kindly state whether the following books by Mr. Rash Behari Bose (79 Sanchome, Onden, Shibuya-Kee, Tokyo-Japan), and a new monthly pamphlet *The New Asia*, edited by him, have been proscribed in India:

- (i) Indian Folk Tales,
- (ii) India in Revolution (Kakeemei no Indo),
- (iii) Shikkokee no Indo (translation of India in Bondage)?

**The Honourable Sir Harry Haig:** I would invite the Honourable Member's attention to the reply given by me on the 29th August, 1933, to his question No. 154. I have nothing to add to that reply.

**Mr. Gaya Prasad Singh:** I wanted to know whether the pamphlet "New Asia" has been proscribed or not, because I have received a copy of that pamphlet, and, if it is proscribed, I should like to make a present of it to the Home Member.

**The Honourable Sir Harry Haig:** I should be glad if the Honourable Member would take that course, because the pamphlet has been proscribed.

**Mr. Gaya Prasad Singh:** What about the other three books? I have not received any copies of the same, but I should like to know whether they are also proscribed?

**The Honourable Sir Harry Haig:** There is a general proscription as I explained in August last.

**Mr. Gaya Prasad Singh:** What should I do with the "New Asia" which has been sent to me?

**The Honourable Sir Harry Haig:** I would invite the Honourable Member to hand it over to me.

**ALLEGATIONS AGAINST THE BRITISH INDIA STEAM NAVIGATION COMPANY.**

**1238. \*Mr. Gaya Prasad Singh:** (a) Is it a fact that a number of Oriyas, residing in Rangoon and elsewhere, have recently submitted a representation (a copy of which I am forwarding to the Department concerned) to the authorities of the British India Steam Navigation Company, protesting against the recent increase in fares to Coromandal ports, fixing them at a "uniform rate for all ports irrespective of distances and conveniences of embarkation and disembarkation", and also against the system of "paying commission to some of the hotel-keepers in 27th Street, Rangoon, on account of passenger brokerage", alleging in the representation that the hotel-keepers "are supplying the worst food to the passengers during their stay in Rangoon, and charge unreasonably high rates, and that those hotel-keepers get the tickets from the Company, and sell them at a premium"?

(b) Do Government propose to enquire into the allegations, and make a statement on the matter, stating what action, if any, is contemplated?

**The Honourable Sir Joseph Bhore:** (a) Government have received the copy supplied by the Honourable Member of the representation in question.

(b) Government are not directly concerned in the matter, but are making inquiries.

**Mr. B. Das:** Is it not causing undue hardship on the Oriya and the Telugu people who travel through the Coromandel coast to Rangoon that the B. I., in collaboration with the Scindia Company, should raise its rates very high?

**The Honourable Sir Joseph Bhore:** That, Sir, is the allegation.

**Mr. B. Das:** Is not the Honourable Member satisfied with the allegation that the rates have been raised unduly during the last two months?

**The Honourable Sir Joseph Bhore:** I take no such statements without verification.

**Mr. B. Das:** What are the Government doing to safeguard the interests of the travelling public when the shipping interests, and particularly the Scindia, have combined with the B. I. to raise the rates for passengers and freights?

**The Honourable Sir Joseph Bhore:** Government have no power to control steamship fares.

**Mr. Gaya Prasad Singh:** May I know whether the result of the enquiry, which the Honourable Member has promised will be communicated to this House in due course and the statement laid on the table?

**The Honourable Sir Joseph Bhore:** I shall certainly do so if my Honourable friend wishes it.

**Mr. Gaya Prasad Singh:** Yes, thanks.

†1239\*—1244.\*

#### BAD CONDITION OF THE ROAD OUTSIDE TURKMAN GATE, DELHI.

**1245 \*Kunwar Hajee Ismail Ali Khan:** (a) Is it a fact that the road outside Turkman Gate, Delhi, connected with the Circular Road, was very much damaged during the last unusually heavy monsoon?

(b) Is it also a fact that the present condition of the road is absolutely *kuchcha* (unmetalled) one and it is full of dust?

(c) Are Government aware that the above road is a very important one, as it connects Old Delhi with New Delhi?

† These questions were withdrawn by the questioner.

(d) If the answer to parts (a) to (c) above be in the affirmative, are Government prepared to metal the road immediately or at least issue the orders to the department concerned for watering the road till it is properly metalled?

**Mr. G. S. Bajpai:** Sir, with your permission, I shall answer questions Nos. 1245 and 1246 together. I am awaiting certain information from the Local Administration and shall lay a reply on the table in due course.

**Dr. Ziauddin Ahmad:** The place is not far away from this Chamber and at least the answer to part (a) could have been verified by the Honourable Member himself.

**Mr. G. S. Bajpai:** My Honourable friend wanted to know not merely what the state of the road or the dumping ground is. I am sure, he is already familiar with it. He wanted to know what action we proposed to take and, in regard to that, I am awaiting information from the Local Administration.

**Mr. Gaya Prasad Singh:** Is the Honourable Member expected to be familiar with the dumping ground?

**Mr. G. S. Bajpai:** I understand he passes every day through that neighbourhood in coming to the Assembly.

#### INSANITARY CONDITION OF THE AREA OUTSIDE TURKMAN GATE, DELHI.

† 1246. \***Kunwar Hajee Ismail Ali Khan:** (a) Will Government kindly inform this House as to how long it will take to remove the dumping of rubbish which is accumulated outside Turkman Gate?

(b) Are Government aware of the most insanitary condition of the area outside Turkman Gate, which is a nuisance both to Old and New Delhi?

(c) If the answer to part (b) above be in the affirmative, what action do Government propose to take to improve the sanitation and approach road to Old Delhi?

#### NEXT ELECTIONS OF THE LEGISLATIVE ASSEMBLY.

1247. \***Kunwar Hajee Ismail Ali Khan:** (a) Will Government kindly state the approximate date or time of the new elections of the Legislative Assembly?

(b) Will these elections take place under the existing constitution or under the new Reforms?

(c) Will Assembly elections take place simultaneously with the Provincial Councils or before or after them?

(d) When will the term of this Assembly expire?

**The Honourable Sir Brojendra Mitter:** (a) to (d). In the absence of resort by His Excellency the Governor General to the power of extension conferred upon him by section 63(D) of the Government of India Act, the term of the existing Assembly would expire on the 14th January, 1934. In the message communicated to the Assembly on the 6th March, 1933,

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+For answer to this question, see answer to question No. 1245.

His Excellency informed Honourable Members that he proposed to exercise the power in question. I am not in a position to add anything to the contents of that message, to which the Honourable Member is referred.

**Kunwar Hajee Ismail Ali Khan:** What is the answer to part (c)?

**The Honourable Sir Brojendra Mitter:** Beyond what appeared in the message of His Excellency the Governor General to this House, I am not in a position to give any further information.

**Mr. K. C. Neogy:** In view of the excellent support which this House has been giving to the Government, are Government prepared to make a recommendation to His Excellency the Governor General that the life of the present Assembly should be indefinitely extended?

**The Honourable Sir Brojendra Mitter:** I dare say that that will suit many Honourable Members, but I do not think that we should be prepared to make any such recommendation to His Excellency.

**Mr. K. C. Neogy:** How ungrateful!

**Kunwar Hajee Ismail Ali Khan:** The Honourable Member has not said a single word about part (c) of my question.

**The Honourable Sir Brojendra Mitter:** I have no information.

**Mr. Lalchand Navalrai:** May I draw the attention of the Honourable Member to the fact that the message of His Excellency referred to the life of this Assembly, but the question is whether the Assembly election and the election to Provincial Legislatures will take place simultaneously or not. That is a direct question.

**The Honourable Sir Brojendra Mitter:** I cannot answer that question because I do not know when the provincial elections will take place. Provincial elections are under the control of the Governors. As to the Assembly, I cannot give any more information than what is contained in the message of His Excellency to this House.

**Mr. C. S. Ranga Iyer:** Are Government aware that candidates who are standing for the Assembly generally work with the candidates who are standing for Provincial Councils and, if an early statement is made as to whether the Provincial and the Assembly elections will be held simultaneously, it will considerably help the candidates in organising their election campaigns. If, on the contrary, the two elections do not take place simultaneously, the labour involved for the prospective Assembly candidates will be so great that they may have to choose their programme accordingly.

**The Honourable Sir Brojendra Mitter:** Sir, I fully appreciate the suggestions contained in this question, and I would refer Honourable Members to the statement which you made the other day that you had taken up this question with His Excellency and that an early pronouncement was expected.

### BRITISH DOMINIONS DISCRIMINATING AGAINST INDIANS.

**1248. \*Mr. B. Das:** Will Government be pleased to state which are the British Dominions that discriminate against Indians and deny them the right of Dominion citizenship?

**Mr. G. S. Bajpai:** The attention of the Honourable Member is invited to the reply given by the Honourable Sir Fazl-i-Husain on the 27th January, 1931, to part (b) of his question No. 73. Since that reply was given the State franchise has been granted to Indians in Queensland.

### DISCRIMINATORY TREATMENT TO INDIANS IN SOUTH AFRICA.

**1249. \*Mr. B. Das:** (a) Will Government be pleased to state the various disqualifications that Indians suffer in the South African Dominion and how far this discriminatory treatment was provided in the South African Constitution?

(b) Will Government be pleased to make a statement on the various anti-Indian legislations since passed in the South African Legislature?

**Mr. G. S. Bajpai:** (a) Under section 47 of the Union of South Africa Act only a British subject of European descent can be a member of the House of Assembly. For other disqualifications which Indians suffer I would invite the attention of the Honourable Member to the report of the Asiatic Inquiry Commission, 1920, a copy of which will be found in the Library of the House.

(b) A statement is laid on the table.

*Statement showing legislation affecting Indians passed in the Union of South Africa since the Union of South Africa Act, 1910.*

Legislation.	Effect of the Legislation.
<i>Union of South Africa—</i>	
1. The Immigrants' Regulation Act, No. 22 of 1913.	Immigration of any person or class of persons deemed by the Minister on economic grounds or on account of standard or habits of life to be unsuited to the requirements of the Union or any province thereof, prohibited.
2. The (Union of South Africa) Asiatics (Land and Trading) Amendment (Transvaal) Act, No. 37 of 1919.	While safeguarding existing interests the Act sought to prevent acquisition by Indians of new leases on proclaimed areas, or of property outside locations, either through nominal trustees or companies.
3. The Liquor Act, No. 30 of 1928	Asiatics in the Transvaal and the Orange Free State were prohibited from buying or possessing liquor and those who are debarred by law from buying or possessing liquor were also debarred from handling it and from working in an establishment where it is being handled. The interests of wine stewards and Indian waiters employed at the time of the commencement of the Ordinance were safeguarded by letters of exemption.
4. The Immigration (Amendment) Act, No. 15 of 1931.	The abolition of the permanent right of entry into and residence in the Transvaal which was embodied in a registration certificate granted to an Asiatic under the Asiatics Registration Amendment Act, No. 36 of 1908 (Transvaal).

## Legislation.

## Effect of the Legislation.

*Union of South Africa—contd.*

5. The Transvaal Asiatic Land Tenure Act, No. 35 of 1932. (Law relating to occupation and acquisition of land by Asiatics and coloured persons, and to provide for matters incidental thereto).

The Transvaal Precious and Base Metals Act No. 35 of 1908 (Gold Law of 1908), was amended so as to empower the Minister of the Interior to withdraw land from the operation of the Gold Law in so far as it prohibited residence upon or occupation of any land by coloured persons. Subject to this the law purports to make effective the restrictions intended by previous legislation regarding the ownership and occupation of landed property by Asiatics in the Transvaal.

*Natal—*

1. The Durban Boroughs Land Alienation Ordinance, No. 14 of 1922, and the Natal Borough and Township Lands Ordinance, No. 5 of 1923.
2. The Natal Boroughs Ordinance, No. 19 of 1924, and the Natal Township Franchise Ordinance, No. 3 of 1925.

Empowers local bodies concerned to lease or sell lands belonging to them to members of a particular community.

While safeguarding the electoral privileges of Indians already on the rolls, they rendered Indians ineligible for the Borough or township franchise in future.

*Transvaal—*

1. The Transvaal Licences Control Ordinance, 1931.

Repealed the General Dealers (Control) Ordinance, 1926. The Ordinance does not define the grounds upon which the certificate of fitness for a license may be refused and does not provide for an appeal to the Supreme Court in cases of refusal. It is, therefore, susceptible of being administered in a spirit of racial bias.

**DISABILITIES OF INDIAN RESIDENTS OF VICTORIA, CANADA.**

**1250. \*Mr. B. Das:** (a) Will Government be pleased to state the special disabilities to which Indian residents of Victoria (Canada) are subject to?

(b) What steps have Government taken so far to get the Indian residents their right of Canadian citizenship?

**Mr. G. S. Bajpai:** (a) Indians resident in British Columbia cannot vote for elections either to the Provincial or the Federal Legislature.

(b) Informal representations for the removal of this disability were made to the Prime Minister of Canada during his presence in London in connection with the Imperial Conference, 1930, and also at Ottawa last year.

**Mr. B. Das:** What was the result?

**Mr. G. S. Bajpai:** I am afraid hitherto there has been no change in the position.

**Mr. B. Das:** Did the delegates at Ottawa press it very seriously?

**Mr. G. S. Bajpai:** The delegates as delegates were not concerned with this question, but those of them, who informally put the matter before the Prime Minister, did put it very firmly, I believe.

**Mr. B. Das:** Are the signs hopeful or will the same state of things continue?

**Mr. G. S. Bajpai:** Optimism has been in existence since 1921, but seeing that no results have materialised so far, I am not prepared to qualify it one way or the other.

#### REPORT OF THE TARIFF BOARD ON THE INDIAN TEXTILE INDUSTRY.

**1251. \*Mr. S. C. Mitra:** (a) Will Government be pleased to state when the report of the Tariff Board, which inquired into the Indian textile industry, is likely to be published?

(b) Is it a fact that the Tariff Board has recommended high protective duty both against Japan and Lancashire, and has opposed the principle of Imperial preference?

(c) Will Government please state why the said report has not been published?

**The Honourable Sir Joseph Bhore:** (a) and (c). The Honourable Member is referred to my answer to part (a) of Mr. B. Das's starred question No. 1202.

(b) The Government of India are not prepared to disclose the contents of the Tariff Board's Report before its publication.

**Mr. S. C. Mitra:** Has the Honourable Member's attention been drawn to the fact that many people outside this House seem to be acquainted with the report while we are denied any knowledge of it?

**The Honourable Sir Joseph Bhore:** If it is true that people outside this House are acquainted with the contents of that report, it certainly is not due to any leakage from my office.

**Mr. R. S. Sarma:** Is it a fact that a categorical summary of the conclusions of the Tariff Board was published in the *Financial News of London*?

**The Honourable Sir Joseph Bhore:** I am not aware of that, Sir.

**Dr. Ziauddin Ahmad:** Is it not a fact that ultimately this House will be required to legislate, and it is only proper that we should be given copies of this report in advance of the notification to the public?

**The Honourable Sir Joseph Bhore:** I shall do my best to supply copies of the report as far in advance of the date on which the question is taken up in this House as I possibly can.

**Mr. K. C. Neogy:** Is leakage in regard to the report of the Indian Tariff Board covered by the provisions of the Indian Official Secrets Act?

**The Honourable Sir Joseph Bhore:** I should think so, Sir.

**Mr. Gaya Prasad Singh:** May I know what is the cause of the delay in the publication of the report?

**The Honourable Sir Joseph Bhore:** I have explained that fully in the speech which I made in Simla during the last Session.

**U Ba Maung:** May I know if the textile industry includes silk or artificial silk?

**The Honourable Sir Joseph Bhore:** This is an inquiry into Indian cotton textiles, but we have received the report of the Tariff Board in respect of silk, and that also will be dealt with during the coming Session of the Assembly.

**Mr. R. S. Sarma:** Is it a fact that there was a representation from the Bombay Millowners' Association to the Government of India to defer publication of this Tariff Board report?

**The Honourable Sir Joseph Bhore:** Not that I know of, Sir.

#### REPORT OF THE CAPITATION TRIBUNAL.

1252. \***Mr. S. C. Mitra:** Will Government be pleased to state when the report of the Capitation Tribunal is going to be published?

**Mr. G. R. F. Tottenham:** Arrangements are being made for the early publication of the Report as a White Paper. I cannot say what the exact date will be.

**Mr. K. C. Neogy:** Is this White Paper going to be of the same kind as the other White Paper with which we are acquainted, in point of quality?

**Mr. G. R. F. Tottenham:** It is going to be the same colour, Sir. (Laughter.)

**Mr. S. C. Mitra:** Do the Government of India appreciate that the judgment of an impartial tribunal should be known to the people of India so that they can make any constitutional representation that they may think proper to make?

**Mr. G. R. F. Tottenham:** Yes, Sir: As I say, the report is going to be published very shortly for that purpose.

**Dr. Ziauddin Ahmad:** In view of the fact that the decision will substantially affect our next year's budget, is it not fair to the Legislature that we should know the proposals so that we may take timely action?

**Mr. G. R. F. Tottenham:** As I say, every effort is being made to publish the report as soon as possible.

**Mr. S. C. Mitra:** When was this report submitted by the Tribunal?

**Mr. G. R. F. Tottenham:** There is another question on the paper which I will answer very shortly which will give that information.

**Mr. S. C. Mitra:** Was it in November, 1982?

**Mr. G. R. F. Tottenham:** No, Sir; the actual date was 17th January, 1933

**Mr. S. C. Mitra:** Even after that, several months have elapsed, and do Government not think it necessary to acquaint us with the findings of the Tribunal which is an impartial body, so that Indians may take constitutional steps to present their demands?

**Mr. G. R. F. Tottenham:** I can assure the Honourable Member that such delay as has taken place has not been in any way due to the Government of India, and I do not think that a delay of nine months or so is excessive considering the importance of the issues raised by the Tribunal.

**Mr. K. C. Neogy:** Will the decision of the British Government on this report be available simultaneously with the publication of the report?

**Mr. G. R. F. Tottenham:** I expect so, Sir.

**Mr. Jagan Nath Aggarwal:** May I take it that no action will be taken by the British Government till the report is published?

**Mr. G. R. F. Tottenham:** I do not understand exactly what action the Honourable Member refers to.

**Mr. Jagan Nath Aggarwal:** I understood from the constitution of the Tribunal that it was an advisory body and that the Prime Minister will take action on it after receiving the report. Do I understand that the Prime Minister has deferred action till the report is published in India and in England?

**Mr. G. R. F. Tottenham:** No actual steps will be taken in England until the report is published.

#### CONSTRUCTION OF QUARTERS FOR MEMBERS OF THE CENTRAL LEGISLATURE IN NEW DELHI.

1253. \***Mr. S. C. Mitra:** (a) Are Government aware that when pressing for a supplementary grant during the last Simla Session of this House, the Honourable Sir Frank Noyce promised that when building new quarters for Members of the Central Legislature at New Delhi he would direct the Central Public Works Department to consult the House Committee of this House in regard to the type of building that would be built for the Members?

(b) Is it a fact that notwithstanding Sir Frank Noyce's promise construction of Members' quarters has been taken in hand without consulting the House Committee of this House?

(c) Do Government propose to consult the said Committee?

**The Honourable Sir Frank Noyce:** (a) Yes.

(b) No. The undertaking I gave was duly honoured. The plans of the quarters were sent to the House Committee and orders have since

been issued that the quarters should be constructed in accordance with the design recommended by the House Committee, that is the design of the present orthodox gazetted officers' bungalows.

(c) Does not arise.

**Mr. Gaya Prasad Singh:** Has the House Committee made any recommendation in consultation with the Engineer or any other officer of the Department of Industries and Labour?

**The Honourable Sir Frank Noyce:** The House Committee, I understand, recommended that the design adopted should be the design of the present orthodox gazetted officers' bungalows, and we have accepted that recommendation.

**Mr. S. C. Mitra:** Will the Honourable Member tell us when the House Committee was consulted? As a member of the House Committee, I do not remember this thing coming up before the Committee at all.

**The Honourable Sir Frank Noyce:** I think sometime in September, but I can assure the Honourable Member that my information is based definitely on a recommendation of the House Committee which is in the file in my office.

**Mr. S. C. Mitra:** Will the Honourable Member take it that it is absolutely incorrect. The House Committee did not recommend any specific type and they had no occasion to go into details. All that they said was that they wanted the Executive Engineer to come and suggest a definite plan. They did not know what the plan was and the information given was incorrect.

**Mr. Abdul Matin Chaudhury:** I do not think Mr. Mitra is quite correct in saying that the House Committee made absolutely no recommendation with regard to this. They said that at least the quarters to be constructed should not be of the type of 8-16 Ferozshah Road, and they recommended that these new quarters should be on the lines of the old orthodox quarters, and they also asked the Executive Engineer to submit a plan before the Committee.

**Mr. S. C. Mitra:** The Chairman of the House Committee will recollect that we said that the Executive Engineer of the P. W. D. should come and show us the plan. It is not correct to say that the Committee decided that it should be in a particular way. We only suggested that it should not be of this type and might be of some other type, but we decided that we should first have an opportunity to see the plans.

**Mr. Abdul Matin Chaudhury:** Of course it is within my recollection that we asked the Executive Engineer to come.

**Mr. President (The Honourable Sir Shanmukham Chetty):** This matter can easily be verified, because there are records of the proceedings of the House Committee and no useful purpose will be served by continuing the discussion.

**Mr. Gaya Prasad Singh:** May I ask another supplementary question? What is the objection if the Honourable Member in charge of the Department of Industries and Labour asks the Engineer of his Department to come and sit with the House Committee at an early date in a meeting and then to go through the different types of plans for houses suitable to be built for Members of this House?

**The Honourable Sir Frank Noyce:** The point really is that the House Committee made a very definite recommendation that the quarters should be constructed in accordance with the design of the present gazetted officers' bungalow: that recommendation was absolutely definite and it has been honoured. We have agreed to accept the recommendation of the House Committee, although I may say that this is a distinctly expensive type of bungalow. We have, therefore, done our best to meet the wishes of the House Committee. We have accepted their very definite recommendation. I submit that the Government can do no more than that. If any small alterations in that type of bungalow are required, I shall be very happy to instruct one of my Engineers to meet the House Committee on the subject; but I do not think that we can now go back on the important decision which has been arrived at on the definite recommendation of the House Committee, except in regard to very small matters.

**Mr. B. V. Jadhav:** May I bring to the notice of the Honourable Member that the quarters to be built on plot No. 11, Ferozshah Road, will be quite different from the type which is on the opposite side and, therefore, architecturally it will be an eye-sore?

**The Honourable Sir Frank Noyce:** I may say that we have instructed our architects to preserve the architectural amenities as far as possible. It does seem to me a little hard on us when we have tried to meet the wishes of this House that we should be accused of doing so to the neglect of architectural amenities. We fully recognised the force of that point; but, at the same time, we recognised that possibly the wishes of this House were of more importance than the preservation of architectural amenities; we are doing our best, however, to meet both.

**Mr. President (The Honourable Sir Shanmukham Chetty):** The Chair would suggest to the Department of the Honourable Sir Frank Noyce that, when the House Committee makes a certain recommendation, a reply may be sent to the Chairman of the House Committee, as to whether his Department, has accepted the recommendation or not, because it is understood in this particular case, no reply was sent from the Department of Industries and Labour as to what action they proposed to take on the recommendation of the House Committee.

**The Honourable Sir Frank Noyce:** If that is so, I can only express my apologies: it should certainly have been done. I will find out why it has not been done, and I will instruct my Department invariably to follow that procedure in future.

**Mr. E. H. M. Bower:** In as much as several Members in the new Assembly will be distinctly unorthodox, will Government consider the desirability of putting up several bungalows which would accommodate Members with families who do not want orthodox bungalows?

**The Honourable Sir Frank Noyce:** I cannot say offhand exactly what we are doing, but I have no doubt that the requirements of unorthodox Members as well as those of the orthodox Members will be met.

**Mr. K. C. Neogy:** What is the definition of orthodoxy in this particular case?

**The Honourable Sir Frank Noyce:** Mainly the desire of the Honourable Members themselves.

**Mr. R. S. Sarma:** Also the definition of Members with families?

**Mr. Gaya Prasad Singh:** May I ask the Honourable Member seriously to consider the desirability of asking one of his Engineers to meet the Members of the House Committee?

**Mr. President** (The Honourable Sir Shanmukham Chetty): That is a request that might be made by the House Committee.

**Mr. Gaya Prasad Singh:** That has been done.

**Mr. President** (The Honourable Sir Shanmukham Chetty): It is for the House Committee to take up the matter and remind the Department as to why it has not been carried out: that will expedite matters instead of having a discussion on the floor of the House.

**Mr. B. Sitamaraju:** What are the grounds for thinking that the future Legislative Assembly will be unorthodox in view of the fact that the tendency is just the other way round—regarding social legislation, even such as comes up now?

**Sir Cowasji Jehangir:** May I ask whether it is a fact that the House Committee asked the Executive Engineer to be present at one of their meetings in order to discuss this matter?

**The Honourable Sir Frank Noyce:** I can only say that I am quite sure that if the House Committee asked the Executive Engineer to be present, he would have been present. My Department knows quite well that I have issued verbal and other instructions that if the House Committee requires any information or any assistance in any way, it should be most freely given.

#### EXTENSION OF THE PERIOD OF NOTICE OF INDO-JAPANESE TRADE CONVENTION AND PROTECTION TO CERTAIN MINOR INDUSTRIES.

1254. \***Mr. S. C. Mitra:** (a) Are Government aware that there has been strong criticism in the Press of Government's extending the period of notice of Indo-Japanese trade convention till November 10, 1988, without at the same time pressing the Government of Japan to lift the boycott of Indian cotton during the period of such extension?

(b) Will Government kindly state whether the report of Dr. Meek, Director-General of Commercial Intelligence and Statistics and Dr. John Mathi, President of the Tariff Board, on the applications for relief under

the Safeguarding of Industries Act submitted on behalf of 40 minor industries, will be published?

(c) Are Government aware that the struggling nascent industries, most of which come under the category of minor industries, are in much greater and more urgent need of relief against Japanese dumping than the textile industry? If so, what steps do Government contemplate to take in regard to the protection of those industries?

**The Honourable Sir Joseph Bhore:** (a) There have been comments of this nature in certain newspapers due no doubt to misapprehension of Government's position in this matter.

(b) No, Sir.

(c) This is a matter of opinion and the Honourable Member is entitled to hold his own views. I may add, however, that the question of safeguarding the minor industries has never been lost sight of by Government.

**Mr. H. P. Mody** Sir, in view of the fact that these minor industries have been crying out for relief for a long time and that relief has been denied to them for various reasons, will not the Honourable Member consider the desirability of introducing and, if possible, proceeding with legislation in this Session?

**The Honourable Sir Joseph Bhore:** I appreciate my Honourable friend's altruistic position in this matter: I can assure him that the matter will receive and is receiving our very close attention.

#### ILLNESS OF SUBODH CHANDRA MITRA, A DETENU IN THE DEOLI DETENTION CAMP.

1255. \***Mr. S. C. Mitra:** (a) Is it a fact that detenu Subodh Chandra Mitra, now detained in the Deoli Detention Camp, has been suffering from slow fever, temperature ranging from 99° to 100°? If so, for how long?

(b) Is his temperature still persisting?

(c) Is it a fact that he is also suffering from colic pain, attended with vomiting?

(d) Is it a fact that he had no such colic pain before his detention?

(e) Will Government please state what was his weight when he was first transferred to the Deoli Detention Camp?

(f) Is it a fact that he has lost 15 lbs. in weight?

(g) What is his present weight?

**The Honourable Sir Harry Haig:** (a) and (b). He has frequently had a slight evening rise in temperature since the middle of July which still continues.

(c) Not now.

(d) I have no information.

(e), (f) and (g). His weight on arrival was 99 lbs. and is now 86 lbs.

**Pandit Satyendra Nath Sen:** Has it been noticed by Government that persons who keep excellent health before detention become habitual patients after detention?

**The Honourable Sir Harry Haig:** I have not any full information about the health of these persons, nor I think have Government, before they come under detention.

**Pandit Satyendra Nath Sen:** Is not the Honourable Member aware of the cases of the late Pandit Motilal Nehru, the late Mr. C. R. Das, the late Mr. J. M. Sen-Gupta, Mr. S. C. Bose, Dr. Alam and others?

**The Honourable Sir Harry Haig:** What is the suggestion that the Honourable Member is making?

**Pandit Satyendra Nath Sen:** I have no suggestion to make: I shall be obliged if I can have a satisfactory explanation from the Honourable Member.

**The Honourable Sir Harry Haig:** I am afraid I cannot make any general statement on such a subject: we cannot generalise on particular instances.

**Mr. H. P. Mody:** Have Government received any report with regard to the general state of the health of these detenus?

**The Honourable Sir Harry Haig:** The general state of health is by no means unsatisfactory.

#### ILLNESS OF SUBODH CHANDRA MITRA, A DETENU IN THE DEOLI DETENTION CAMP.

1256. \***Mr. S. C. Mitra:** (a) Is it a fact that Subodh Chandra Mitra, a detenu in the Deoli Detention Camp, was brought to the Ajmer Hospital for X Ray examination and treatment?

(b) What was the result of that examination?

(c) Was he subjected to Barium Meal Test also? What was the result of that test?

(d) Is he still undergoing treatment in the hospital?

(e) How long has he been in the hospital, and what treatment did he undergo during the last three months?

(f) Who treats him, and what are his qualifications?

(g) Will Government please state if he is in a very weak state of health now?

(h) Is it a fact that he has been kept on liquid diet? If so, for how long?

**The Honourable Sir Harry Haig:** (a) to (d) and (g). I would refer the Honourable Member to the reply I gave on the 29th November, 1988, to question No. 1207 and various supplementary questions.

(e) and (f). He has been in hospital since the 27th October last. He is under the treatment of the Medical Officer of the Jail.

## RECOGNITION OF DENOMINATIONAL UNIONS.

**1257. \*Sardar Sant Singh:** Has the attention of Government been drawn to the publication, under the heading "Muslim P. & T. Union", in the *Hindustan Times*, dated October 26, 1933 and under the heading 'Going Back' of the same paper of the same date? If so, is it a fact that the recognition to a denominational Union is to be extended? If so, are Government prepared to extend recognition to the Sikh Union of the same Department?

**The Honourable Sir Frank Noyce:** The reply to the first part of the question is in the affirmative. As for the rest it is not proposed to extend official recognition to any communal Union. If it should be extended to the body until recently known as the Muslim Posts and Telegraphs Union, it will only be on the condition *inter alia* that the constitution and regulations of that body, are no longer communal and that it will deal with matters of general, and not merely communal, concern to the class of departmental staff represented by it. Should the Sikh Union reconstitute itself and its objects in this way, any application it may make for official recognition will be considered on its merits.

## RECOMMENDATIONS OF THE WAR PENSIONS COMMITTEE.

**1258. \*Sardar Sant Singh:** (a) Will Government be pleased to lay on the table of this House the recommendations of the War Pensions Committee and the orders of the Government thereon? Which of the recommendations were not accepted, and for what reason?

(b) Have any orders been passed by Government on recommendations Nos. 3, 15 and 20? If so, will Government be pleased to lay the same on the table of this House?

**Mr. G. R. F. Tottenham:** (a) and (b). A copy of the report of the War Pensions Committee has already been supplied to all Honourable Members and the orders of Government thereon have been issued in a Press Communiqué. Copies of both these papers will also be placed in the Library. Recommendations XV and XX are still under consideration.

## APPLICATION OF GOVERNMENT SERVANTS' CONDUCT RULES TO ALL GOVERNMENT SERVANTS.

**1259. \*Mr. B. Das:** (a) Will Government be pleased to state if it is a fact that there is only one set of Government Servants' Conduct Rules and that they are applicable to all Government servants, whether employed under the Central or the Local Governments?

(b) Is it a fact that in respect of the Government servants employed under the Central Government, the rules or orders governing the dismissal, removal or re-instatement after their acquittal from a court of law, of criminal charges against them, are substantially the same as in the provinces?

**The Honourable Sir Harry Haig:** (a) Local Governments have power to make rules to regulate the conduct of members of provincial, specialist, and subordinate services under their administrative control. So far as that power has not been exercised the rules known as the Government Servants' Conduct Rules still apply to Government servants under the administrative control of Provincial Governments.

(b) I am not aware of any rules which regulate the circumstances in which a Government servant may be dismissed, removed or reinstated whether after acquittal by a Court of law of charges framed against him or otherwise. The rules concerning dismissal and removal merely prescribe these as permissible forms of punishment and the procedure to be followed before an order of dismissal or removal is passed.

#### REPORT OF THE CAPITATION TRIBUNAL.

**1260. \*Mr. S. G. Jog:** (a) Will Government please state when the report of the Capitation Tribunal's findings will be published?

(b) Will Government please state when the report was signed by the members of the Tribunal?

(c) Will Government please state the reasons for holding up the report?

(d) Are Government aware that one of the members of the Tribunal, Sir Shadi Lal, stated in the presence of some Indian politicians in London that the report consisted of surprises?

(e) Is it a fact that as a result of the findings a heavy liability is placed on the British Exchequer?

(f) If under the findings, Government are to recover any amount from the British Exchequer, do Government propose to insist upon that payment without delay with a view to adjust the budget for the next year?

**Mr. G. R. F. Tottenham:** (a) The attention of the Honourable Member is invited to the reply that I have just given to Mr. S. C. Mitra's starred question No. 1252.

(b) 17th January, 1933.

(c) The reason for the delay is that the Report raised questions of great importance which needed careful consideration.

(d) Government have no information.

(e) and (f). I regret that I can give no information on these points in advance of the publication of the Report, but I hope that this will take place before long.

**Mr. S. G. Jog:** May I know if the Honourable Member has no information at all or he does not want to give it out?

**Mr. G. R. F. Tottenham:** About which point?

**Mr. S. G. Jog:** May I know if the Honourable Member has no information at all or he does not wish to give out that information?

**Mr. G. R. F. Tottenham:** About which point?

**Mr. S. G. Jog:** On the Report of the Capitation Tribunal.

**Mr. G. R. F. Tottenham:** I said that we had no information on the point raised in part (d) of the question.

**Mr. S. C. Mitra:** What about part (e)?

**Mr. B. Das:** Has the attention of the Honourable Member been drawn to the publications in the Indian Press that India will be relieved to the extent of about £4 millions if the recommendations of the Capitation Tribunal are given effect to?

**Mr. G. R. F. Tottenham:** I have not actually seen that statement in the Press.]

**Mr. B. Das:** Let me assure the Honourable Member that I have read it in two or three papers, and the *Hindustan Times* of Delhi also recently published it.

**Mr. S. C. Mitra:** I think it appeared in the *Statesman* also.

**Mr. G. R. F. Tottenham:** I would advise the Honourable Member not to place too much reliance on what appears in the newspapers.

#### JOINING OF THE FEDERATION BY INDIAN PRINCES.

1261. \***Mr. S. G. Jog:** (a) Is it a fact that Government through the Political Department or the Reforms Office is in communication with the Ruling Princes individually in the matter of their willingness or otherwise for joining the Federation?

(b) Is it not a fact that more than 75 per cent. of the Ruling Princes have expressed their willingness to join the Federation?

(c) Is it not a fact that the population test has also been satisfied?

**The Honourable Sir Brojendra Mitter:** (a) As the Honourable Member is aware the adherence of the States to the Federation will be a matter for individual negotiation after the Constitution Act has been passed, and there has therefore been no occasion for obtaining the views of the Ruling Princes formally with regard to their adherence to the Federation. The Government of India have however consulted them recently on certain tentative proposals regarding a scheme for the allocation of seats to the States *inter se* in the Federal Legislatures.

(b) and (c). The questions do not arise.

**Mr. S. G. Jog:** Is it not a fact, Sir, that to avoid delay in bringing the Federation into existence, Government are privately negotiating with the Princes in advance?

**The Honourable Sir Brojendra Mitter:** No, Sir; as I have said, the negotiations will start after the Constitution Act is passed.

**Mr. B. Das:** Have Government taken any steps to contradict the mis-statement Mr. Churchill made in London about Government applying pressure on the Princes?

**The Honourable Sir Brojendra Mitter:** Government never applied pressure on anybody.

**Mr. B. Das:** I don't myself say that, but I wanted merely to know if Government have contradicted the misstatement of Mr. Churchill in London?

**The Honourable Sir Brojendra Mitter:** Government do not feel called upon to contradict any incorrect statement which appears in newspapers or anywhere else.

**Mr. C. S. Ranga Iyer:** Are Government aware that this particular statement to which the Honourable Member referred was made by Mr. Churchill before the Joint Committee and that it was immediately answered and repudiated by the Secretary of State?

**The Honourable Sir Brojendra Mitter:** That is so.

#### DELAY IN THE INAUGURATION OF NEW REFORMS.

1262. \***Mr. S. G. Jog:** (a) Are Government aware that there is a feeling of uneasiness in the country and amongst the politicians over the delay in the coming reforms?

(b) Do Government propose to take steps to hurry up the reforms, and convey the feeling of uneasiness in this country to the Secretary of State for India?

**The Honourable Sir Brojendra Mitter:** I can assure the Honourable Member that His Majesty's Government and the Government of India are making every endeavour to expedite the introduction of the reforms.

**Mr. S. G. Jog:** In view of the great efforts which the Government are making for expediting matters, will Government please state as to when the Federation is likely to begin functioning?

**The Honourable Sir Brojendra Mitter:** I am not in a position to answer.

**Dr. Ziauddin Ahmad:** Is it likely to begin before 1940?

**Maulvi Muhammad Shafee Daoodi:** What is the time table which Government have in their mind?

**The Honourable Sir Brojendra Mitter:** Government have no time table.

**Mr. K. C. Neogy:** Would it not be more correct to say that the Government of India have no mind in the matter?

**Sir Cowasji Jehangir:** Will the Honourable Member take steps to see that the reforms come into force at the Centre at least at such a time as the youngest Members on this side have a chance of becoming Members of the Ministry?

#### LEAVE AND PENSION OF MILITARY EMPLOYEES INVALIDED DURING THE GREAT WAR.

1263. \***Mr. S. G. Jog:** (a) Are Government aware that the Controller of Military Pensions, Lahore, has refused to act according to the statement and replies of the Army Secretary given in this House on the 4th September, 1933, to the questions of Rai Bahadur Kunwar Raghbir Singh Sahib, Nos. 591-96?

(b) Do Government propose to forward copies of those questions and answers (specially Nos. 592 to 596 together with questions and answers

now being given) on the subject of leave and pension of military employees invalidated during the Great War, to the Controller of Military Pensions, Lahore, for immediate and necessary action?

**Mr. G. R. F. Tottenham:** I am making enquiries and will lay a reply on the table in due course.

#### SEPARATION OF SUDDER BAZAR AREA FROM THE CANTONMENT, MEERUT.

1264. \***Khan Bahadur Haji Wajihuddin:** (a) Has the attention of Government been drawn to the Press message published in the *National Call* dated the 14th November 1933, on page 2, under the headings "New Scheme for Meerut", "Sudder Bazar Area to be separated from Cantonment," "Government of India considering" (a cutting from the paper has been sent to the Department concerned for ready reference) and if so, will Government be pleased to lay the correspondence in this connection on the table?

(b) Will Government be pleased to state the reasons which have prompted them to adopt this policy and the details of the proposed scheme with net result in case it is actually put into action?

**Mr. G. R. F. Tottenham:** (a) Government have seen the article. There is no proposal under consideration for the separation of the Sudder Bazar in Meerut.

(b) Does not arise.

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**Dr. Ziauddin Ahmad:** Sir, I have just got a letter from Mr. Maswood Ahmad asking me to ask his questions. The letter was lying on the table addressed to Secretary. I don't know if I have a right to ask these questions.

(Mr. Maswood Ahmad's letter was handed to the Honourable the President.)

**Mr. President** (The Honourable Sir Shanmukham Chetty) (After perusing the letter): Yes.

#### MURDER OF SYED MUHAMMAD KIRMANI IN PALESTINE.

1265. \***Dr. Ziauddin Ahmad** (on behalf of Mr. M. Maswood Ahmad): (a) Are Government aware of the murder of an Indian Mussalman, Syed Muhammad Kirmani, in Palestine?

(b) Will Government please give in detail an authentic account of the circumstances which led to his murder?

(c) What was the name of the companion of the deceased who escaped his fate?

(d) Who was his murderer, and has he been arrested and punished?

(e) Was any enquiry made in this connection? If so, with what result?

**The Honourable Sir Harry Haig:** (a) Yes.

(b) to (e). Information received from the High Commissioner for Palestine shows that investigation into the crime is proceeding but no clue has yet been obtained as to the identity of the murderer or the motive for the murder.

**Dr. Ziauddin Ahmad:** What is the answer to part (c) of the question?

**The Honourable Sir Harry Haig:** I am not sure that I have got the name. I think it was an American lady; I am not quite sure what her name was†.

**MUSLIM SUPERINTENDENTS IN THE GOVERNMENT OF INDIA DEPARTMENTS.**

1266. \***Dr. Ziauddin Ahmad** (on behalf of Mr. M. Maswood Ahmad): (a) Is it a fact that there are 59 Superintendents in all the Departments of the Government of India?

(b) Is it also a fact that there are only four permanent Muslim Superintendents out of these 59?

(c) Is it not a fact that two Muslim Superintendents were recently made to retire compulsorily?

(d) Is it not a fact that in their places persons of a non-Indian community were recruited?

(e) Is it not a fact that the percentage of Muslim Superintendents after this compulsory retirement has been reduced to 1·2?

**The Honourable Sir Harry Haig:** (a) and (b). Yes.

(c) and (d). I would refer the Honourable Member to the answer given by the Honourable the Finance Member to parts (b) and (f) of Mr. Muhammad Azhar Ali's question No. 1192 on the 28th November, 1933.

(e) No; the percentage works out to 3·4 approximately.

**Dr. Ziauddin Ahmad:** Whenever an answer is required relating to a certain thing, we are referred to a reply given in answer to a previous question about which we do not know anything.

**The Honourable Sir Harry Haig:** The question was down for answer on the 28th November, and when I was drafting my reply, I was shown the reply to that question, and I naturally referred to it in my answer. I am not sure whether the question was in fact not answered.

**Dr. Ziauddin Ahmad:** But as the answer was not given, and printed answers are not available to Members, we have not become wiser.

**The Honourable Sir Harry Haig:** Has it not been published in the proceedings of the House?

**Dr. Ziauddin Ahmad:** Yes, but they are published after a week or ten days.

**QUOTATIONS FROM THE INDIAN SHIPPING COMPANIES FOR THE CARRIAGE OF GOVERNMENT MATERIALS.**

1267. \***Mr. K. C. Neogy:** (a) With reference to the following resolution moved in the Council of State by Sir Lalubhai Samaldas, and accepted by Government in 1922:

"This Council recommends to the Governor General in Council to issue instructions in the departments concerned to give Indian Shipping Companies an opportunity of quoting for the carriage of Government and Railway materials from any ports to India and to give them preference if their quotation is approximate to that of other Companies."

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† Please also see page 2463 of these debates.

will Government be pleased to state if quotations were invited from Indian Steamship Companies for the carriage of Government stores and materials in accordance with the terms of the resolution and if so, how many times orders for such carriage were placed with the Indian Steamship Companies and how many times preference for the carriage of such material was given to them?

(b) In view of the recent statement made by the Secretary of State for India before the Joint Select Committee on the subject of shipping and commercial discrimination, will Government be pleased to state whether in future they propose to invite quotations from the Indian Shipping Companies for the carriage of Government materials and to give them preference if their rates of freight for that carriage are approximately the same as those given by the British Shipping Companies, in terms of the above-quoted resolution?

**The Honourable Sir Frank Noyce:** (a) Inquiries are being made and the result will be communicated to the House as soon as possible.

(b) I presume that by the words "in future" the Honourable Member means "under the new Constitution". If so, he will no doubt realise that it is not possible for me to give him the desired information at this stage when the new Constitution is still under consideration. But if the Honourable Member refers to the immediate future, then I can assure him that Government will act in accordance with the Resolution referred to, on the understanding that the general principle of the acceptance of the lowest satisfactory tender will continue to be observed.

**Mr. B. Das:** If the Indian Shipping Companies demand special concessions from the Government, is it not obligatory on the Government to insist on these Indian Shipping Companies not to raise the passenger fares as has been raised by the Scindia Steam Navigation Company very recently?

**The Honourable Sir Joseph Bhore:** I do not think that it is possible to attach conditions like that in the giving of such contracts.

**Mr. B. Das:** It is exploitation on one side only.

**The Honourable Sir Joseph Bhore:** I have stated already that Government have no power in respect of the regulation of steamship passenger fares.

#### GRANT OF CONCESSIONS TO PERSONS ACCUSED IN THE HORTICULTURE DIVISION CASE OF THE CENTRAL PUBLIC WORKS DEPARTMENT AFTER THEIR ACQUITTAL.

1268. \***Mr. T. N. Ramakrishna Reddi:** (a) Is it a fact that one Mr. Gopal Das, who was an accused in the Horticulture Division case, of the Central Public Works Department has been granted full pay for the period of suspension and also the retrenchment concessions after his acquittal from the Court?

(b) Is it also a fact that the above clerk was accused of the same charges as framed against his other colleagues in the Court? If so, has a similar treatment in the matter of pay and pension been meted out to all others involved in the case? If not, why not?

(c) Under what sections of the Indian Penal Code or the Criminal Procedure Code was the accused tried? Is it a fact that they were all charged for a conspiracy to misappropriate Government money? If so, why have not all of them been equally treated when the charges were the same?

**The Honourable Sir Frank Noyce:** (a) Yes. Mr. Gopaldas was discharged and not acquitted by the Court.

(b) The reply to the first part is in the affirmative, and to the second part in the negative. As regards the third part, the case of each individual was taken up separately at the conclusion of the departmental proceedings, and the orders passed were based on the nature and extent of the departmental misconduct in each case.

(c) The accused were tried under sections 409 and 420 read with section 120 (B) of the Indian Penal Code. As regards the second part, the reply is in the affirmative. The reply to the last part is given in the concluding portion of the reply to part (b) above. The orders passed were based on the departmental and not on the judicial proceedings.

**Mr. B. R. Puri:** With regard to (b), the answer of the Honourable Member is that the reply to first part of (b) is in the affirmative and, with regard to the latter part, it is in the negative. But then there is another line also, "If not, why not?", and that remains unanswered.

**The Honourable Sir Frank Noyce:** I do not think the Honourable Member could have heard exactly what I said. I said the orders passed were based on the nature and extent of the departmental misconduct in each case.

#### EMPLOYMENT OF GOVERNMENT LABOUR ON UNAUTHORISED WORKS IN THE HORTICULTURE DIVISION OF THE CENTRAL PUBLIC WORKS DEPARTMENT.

1269. \***Mr. S. G. Jog:** Is it a fact that some serious disclosures supported by documentary proof have been made by one of the memorialists, in the Horticulture Division fraud case, of the Central Public Works Department in regard to the employment of Government labour on unauthorised works under the orders of the superior officers? If so, what action has been taken against the officers involved?

**The Honourable Sir Frank Noyce:** Allegations regarding the employment of Government labourers on private work were made by one of the memorialists, and were supported by some indifferent photographs of documents said to be in the possession of the memorialist. Government decline to take action on such materials.

**Mr. S. G. Jog:** Is it not quite customary for Government servants to employ such labour?

**The Honourable Sir Frank Noyce:** No.

#### TRAINING OF ARMY ENGINEERS IN INDIA.

1270. \***Mr. Gaya Prasad Singh:** (a) Is it a fact that the authorities of the Military Academy, Dehra Dun, are training cadets for various branches of the Army, and that there was recently a proposal to explore the

possibility of training Army engineers at the Roorkee College (United Provinces) on the same lines as the Royal Engineers in England are trained at Woolwich and Chatham Colleges? Is it a fact that with this object, a party of Army officers paid a visit to the Roorkee College some time back, but found that it would not suit their requirements unless vastly improved?

(b) Do Government propose to explore the possibility of raising the status of the College, and make it a central institution, so as to bring it up to a standard that would meet the Army requirements?

(c) What arrangements are in contemplation by the authorities to train Army engineers in India, and what will be the financial implications of such arrangements?

**Mr. G. R. F. Tottenham:** (a) and (c). The Indian Military Academy is intended to train officers for all branches of the Army, including the Engineers. There is a proposal under consideration that Engineer officers, who pass out of the Academy, should complete a post graduate course at the Thomason College, Roorkee, followed by a period of training with the King George's Own Bengal Sappers and Miners at that station. The financial implications of the proposal are being examined.

The answer to the last question in part (a) is in the negative and part (b) does not therefore arise.

**Mr. Gaya Prasad Singh:** May I take it that it is under contemplation to utilise the Roorkee College for the purpose of giving training to these army cadets for an engineering course?

**Mr. G. R. F. Tottenham:** That is the intention.

**Dr. Ziauddin Ahmad:** May I ask how many engineers are likely to be trained every year under this arrangement?

**Mr. G. R. F. Tottenham:** I should like to have notice of that question.

**Mr. Jagan Nath Aggarwal:** In view of the fact that the United Provinces Government require various Governments to subsidise them if they send their boys there, is it not desirable to make it a central institution?

**Mr. G. R. F. Tottenham:** I have said that the matter is under consideration, but that particular proposal has not yet come before the Government. It will no doubt be considered along with other financial implications of the scheme.

**Mr. Jagan Nath Aggarwal:** My point is, will Government consider the desirability of making it an all-India institution?

**Mr. G. R. F. Tottenham:** Government will no doubt consider that suggestion.

†1271.\*

#### CONSOLIDATED ALLOWANCE OF THE TRAVELLING TICKET EXAMINERS ON THE EAST INDIAN RAILWAY.

1272. \***Mr. E. H. M. Bower:** (a) Will Government be pleased to state whether the consolidated allowance drawn by Travelling Ticket Examiners

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†This question was withdrawn by the questioner.

on the East Indian Railway is the same as the "Permanent Travelling Allowance" mentioned in Supplementary Rule 21?

(b) If the answer to part (a) be in the affirmative, is permanent travelling allowance ever treated as part of pay?

(c) If the answer to part (b) be in the negative, why has it been subjected to a  $12\frac{1}{2}$  per cent. cut?

(d) If the answer to part (a) be in the negative, under what class of allowance does this consolidated allowance fall?

(e) Is the consolidated allowance referred to in part (a) a compensatory allowance?

(f) If the reply to part (e) be in the affirmative, why is payment not made during leave on average pay under Supplementary Rule 6?

(g) If it is not a compensatory allowance, why has it been included in the list of compensatory allowances in Railway Board, letter No. 7196-F., dated the 24th July 1931, ordering  $12\frac{1}{2}$  per cent. cut on it?

**Mr. P. R. Rau:** (a) Yes.

(b) No.

(c) The cut was imposed generally on all compensatory allowances, but on reconsideration it has since been decided not to subject consolidated travelling allowances for ticket examining staff to the cut so long as the ordinary daily allowance is not subject to it.

(d) Does not arise.

(e) Yes.

(f) The rule quoted by the Honourable Member does not apply to permanent travelling allowances. They are dealt with in Supplementary Rule 23 which distinctly provides that they are inadmissible during leave.

(g) Does not arise.

#### CUT IN THE CONSOLIDATED ALLOWANCE OF THE SPECIAL TICKET EXAMINERS ON THE NORTH WESTERN RAILWAY.

1273. \***Mr. E. H. M. Bower:** Will Government be pleased to state whether the  $12\frac{1}{2}$  per cent. cut has not been imposed on the consolidated allowance of the Special Ticket Examiners on the North Western Railway sanctioned from December, 1932? Is it not a fact that both the North Western and East Indian Railways are State-managed?

**Mr. P. R. Rau:** The reply to both parts of the question is in the affirmative.

#### CUT IN THE CONSOLIDATED ALLOWANCE OF THE TRAVELLING TICKET EXAMINERS ON THE EAST INDIAN RAILWAY.

1274. \***Mr. E. H. M. Bower:** Do Government propose to consider the desirability of cancelling the  $12\frac{1}{2}$  per cent. cut on the consolidated allowance of the Travelling Ticket Examiners on the East Indian Railway from the time the 10 per cent. cut on pay was introduced?

**Mr. P. R. Rau:** I would refer my Honourable friend to the reply I gave just now to part (c) of his question No. 1272.

**Dr. Ziauddin Ahmad:** May I ask whether this consolidated allowance is a part of the salary, or it is not a part of the salary?

**Mr. P. R. Rau:** It is not.

**CONSOLIDATED ALLOWANCE OF THE TRAVELLING TICKET EXAMINERS ON THE EAST INDIAN RAILWAY.**

1275. \***Mr. E. H. M. Bower:** (a) With reference to the supplementary question by Mr. M. Maswood Ahmad to starred question No. 821 of 12th September, 1933 and to the Gazette of India, dated the 31st January, 1931, will Government be pleased to state whether all Railway employees fall under one of the two categories, i.e., they are either running staff or stationary staff?

(b) Have the Travelling Ticket Examiners ever been defined as stationary staff? If so, under what notification of the Government of India?

(c) What is the technical difference between the words "running" and "travelling" to warrant the Travelling Ticket Examiners not being considered as running staff?

(d) Is it a fact that consolidated allowance is paid to the Travelling Ticket Examiners? Is it a fact that under Supplementary Rule 22 such allowance is admissible to the staff whose duties require them to "travel extensively"?

(e) Is it a fact that Guards are defined as running staff and are occasionally utilised on station duty and paid average mileage for the day, and the Travelling Ticket Examiners when they are utilised on station duty are paid consolidated allowance?

**Mr. P. R. Rau:** (a) I have already explained that the classification referred to in the Gazette of India, dated the 31st January, 1931, is for the purpose of the hours of employment rules.

(b) I am not aware of any such classification made of any staff except for the hours of employment rules.

(c) Running staff are those who are directly connected with the charge of a moving train. Travelling Ticket Examiners do not satisfy this definition.

(d) Yes.

(e) This is correct so far as guards are concerned, as station duty is part of guard's duties.

As regards Travelling Ticket Examiners the matter is being examined.

**PARTICIPATION OF INDIAN SHIPPING IN THE COASTAL AND OVERSEAS TRADE OF INDIA.**

12. \***Mr. K. C. Neogy:** (a) With reference to my question No. 783 asked in this House on the 11th September 1933, inquiring whether any new arrangement that might have been reached between the British shipping companies and the Indian shipping companies with the help of the Government of India, effectively provided for an adequate participation of Indian shipping both in the coastal and overseas trade of India, and the reply given by the Hon'ble the Commerce Member that the arrangement referred to above provided substantial further opportunities for the development of Indian shipping, will Government be pleased to state if their

attention has been drawn to the following statement made by the Chairman of the Scindia Steam Navigation Company, Limited at its annual meeting held on the 14th October 1933?

"I must candidly confess that while it (the working arrangement between the B. I. and the Scindia Companies) has laid deeper the foundations of the vested interests of British shipping on the coast and given an opportunity to new British tonnage to ply thereon, it has not provided and is not likely to provide for even an adequate participation of Indian shipping and that too in the coastal trade of India, which even the Government themselves are anxious to see. The position as regards the overseas trade remains as it has been in the past, that is practically a closed field to Indian shipping and I wonder how the Government propose effectively to translate into practice their oft expressed desire for providing an adequate participation of Indian shipping also in the overseas trade of this country".

(b) If the answer to part (a) be in the affirmative, will Government be pleased to state whether they still hold that the recent arrangement between the British and Indian shipping companies provides for the development of an Indian Mercantile Marine both in the coastal and the overseas trade of India?

**The Honourable Sir Joseph Bhore:** (a) Government have seen the statement referred to.

(b) I see no reason whether to modify the statement which I made on the 11th September, 1933, in reply to the Honourable Member's question No. 783.

**Mr. F. E. James:** May I ask a supplementary question? May I ask whether the Chairman of the Scindia Steam Navigation Company is Mr. Walchand Hirachand?

**The Honourable Sir Joseph Bhore:** I believe so.

**Mr. F. E. James:** And if so, is it the same Mr. Walchand Hirachand who was a party to this working arrangement which is now condemned by him?

**The Honourable Sir Joseph Bhore:** Most certainly, Sir.

**Mr. F. E. James:** If that is the case, it is rather strange, but may I ask my Honourable friend whether he is aware of anything that has intervened since that arrangement came into effect to justify his present attitude to it?

**The Honourable Sir Joseph Bhore:** I am not aware of any event that has transpired of the nature suggested by my Honourable friend. I may say that the view expressed in the quotation given by my Honourable friend seems to me to be grotesquely inaccurate.

**Mr. F. E. James:** May I ask also whether this Mr. Walchand Hirachand is the same Mr. Walchand Hirachand who, as a member of the Indian Merchants' Chamber has so categorically condemned the agreement between the Millowners' Association of Bombay and the Lancashire textile interests?

**The Honourable Sir Joseph Bhore:** I can give my Honourable friend no definite information on that point, but I believe he is the same individual. (Laughter.)

**Diwan Bahadur A. Ramaswami Mudaliar:** Does the Honourable Member think that while the agreement between the Scindia Steam Navigation Company and the British India Steam Navigation Company was made in the interests of the Steam Navigation Company, this view was expressed by him to set himself right with his political friends?

**The Honourable Sir Joseph Bhore:** I have no reason to deny the suggestion of my Honourable friend.

**Mr. K. C. Neogy:** Apart from personalities, may I know from the Honourable Member as to what opportunities he thinks the present arrangement offers for the effective participation of Indian shipping in overseas trade?

**The Honourable Sir Joseph Bhore:** As far as my information goes in regard to this agreement, there is nothing to prevent the Scindia Steam Navigation Company or any Indian Steam Navigation Company from embarking on foreign trade.

**Dr. Ziauddin Ahmad:** If a company of this kind be started, will it have the same facilities in foreign ports as we are giving on Indian ports to foreign ships?

**The Honourable Sir Joseph Bhore:** Which company is my Honourable friend referring to?

**Dr. Ziauddin Ahmad:** The same company which is now under contemplation, the Scindia Steam Navigation Company.

**The Honourable Sir Joseph Bhore:** I confess I do not follow my Honourable friend. I am not aware of any discriminatory treatment meted out to Indian steamship companies abroad.

**Dr. Ziauddin Ahmad:** Will the Australian Government, for instance, or the South African Government give the same facilities as we give them?

**The Honourable Sir Joseph Bhore:** I am not aware that they discriminate against Indian owned shipping as such.

**Mr. K. C. Neogy:** Will the Honourable Member be pleased to lay on the table of the House such papers as may enable us to understand the nature of the arrangement referred to in this question?

**The Honourable Sir Joseph Bhore:** The agreement is a private agreement between the two Companies and Government have nothing directly to do with that agreement. If my Honourable friend desires information, might I suggest to him that he should get a copy of the agreement from the gentleman whose speech he has quoted? But I would like to say this. In support of the view that has been expressed by me that the new agreement holds out prospects of substantial development of Indian shipping, I would say that that is borne out by the fact that, immediately after the agreement, the Scindia Steam Navigation Company had to increase its fleet, by the fact that, I believe, for the first time, after the agreement Indian owned shipping took a share in the passenger traffic between the Coromandel

Coast and Rangoon, and finally by the fact that for the first time Indian owned shipping is now carrying His Majesty's mails.

**Mr. K. C. Neogy:** I am not concerned with any particular companies that may be parties to these agreements, but, having regard to the importance from the public point of view which this question has, may I not expect my Honourable friend's assistance for the purpose of understanding the nature of the arrangement and finding out as to how it would enable an Indian company, either existing or to be started in the future, to participate effectively in the overseas trade?

**The Honourable Sir Joseph Bhore:** I cannot understand how anybody can prevent a company other than that which has entered into agreement with the B. I. S. N. Co., from starting on overseas trade, if it wants to do so.

**Mr. K. C. Neogy:** Has not my Honourable friend read the evidence at least of Sir Charles Watson before the Joint Parliamentary Committee as to how powerful foreign combines succeeded in the past in wiping out Indian companies from the field?

**The Honourable Sir Joseph Bhore:** I have no doubt that foreign combines are extremely powerful and that their natural tendency is to keep out new comers in the field, but that is not because they happen to be Indians.

**Mr. K. C. Neogy:** Is it not a fact that the Government of India having regard to these circumstances have committed themselves to the policy of assisting as far as they can the development of Indian shipping?

**The Honourable Sir Joseph Bhore:** Yes, Sir, and the view that I have expressed now is that this agreement does hold out the prospect of a substantial development of Indian owned shipping.

**Mr. K. C. Neogy:** What particular programme, if any, have the Government at the present moment before them for the purpose of giving effect to that policy to which the Government stand committed, apart from any agreement which may have been entered into between one particular company and another?

**The Honourable Sir Joseph Bhore:** The programme must depend upon the initiative of the Indian companies.

**Mr. K. C. Neogy:** Do I take it then that until and unless the Indian companies come forward and make an application to Government, Government are not going to take any steps for the purpose of removing the admitted difficulties that lie in the way of such companies being formed and coming forward for that trade?

**The Honourable Sir Joseph Bhore:** I am not aware of the manner in which Government can remove those difficulties except by offering their good offices, as they have done in this particular case, to help to remove such difficulties by negotiation.

**Mr. K. G. Neogy:** Do I take it then that the Government think that the circumstances that happened in the past and to which reference was made by Sir Charles Watson in England are sufficiently encouraging to Indian shipping companies to come forward with their capital on the off-chance of Government lending their good offices when the rate-war starts?

**The Honourable Sir Joseph Bhore:** I think that the results of the new agreement are certainly sufficiently encouraging to induce Indian initiative to go further in this matter.

**Mr. B. Das:** Do I take it that Indian ships can now carry on overseas trade with England and other European countries, in view of the agreement that has been entered into?

**The Honourable Sir Joseph Bhore:** I see no reason why they cannot do so.

**Mr. B. Das:** Is it not within the knowledge of the Honourable Member that when the Scindia Steam Navigation Company wanted to trade with England, various obstructions were placed before it?

**The Honourable Sir Joseph Bhore:** If my Honourable friend will specify what those obstructions are, I shall be able to give him a reply.

**Mr. B. Das:** Such as, they were not allowed to dock the steamer, they were delayed in transhipping their cargo. May I also remind the Honourable Member that he was assisting in the negotiation in England where Mr. Walchand Hirachand who represented Sindhia was present and questions had already been asked on the floor of the House, that the negotiations between the Scindia Steam Navigation Company and the P. and O. Company became fruitless and the new agreement has come very late?

**The Honourable Sir Joseph Bhore:** I do not know exactly what the question is that the Honourable Member has asked, but certainly my good offices were invited and they were freely given and the ultimate result has been that the Scindia Steam Navigation Company voluntarily accepted this new agreement.

**Sir Cowasji Jehangir:** May I ask the Honourable Member whether, in the opinion of the Government, the Scindia Steam Navigation Company has committed any crime in entering into friendly relations with the British India Steam Navigation Company?

**The Honourable Sir Joseph Bhore:** If they had committed a crime, I should have been a party to it.

**Diwan Bahadur A. Ramaswami Mudaliar:** Do I take it that in view of the answers that the Honourable Member has been giving and the advantages that the Honourable Member has shown both to the Scindia Steam Navigation Company and indigenous shipping companies so far as the coastal trade is concerned, the first portion of this extract is grossly inaccurate?

**The Honourable Sir Joseph Bhore:** I agree with my Honourable friend. The language that I used was "grotesquely inaccurate".

### DEVELOPMENT OF THE INDIAN MERCANTILE MARINE.

**1277. \*Mr. K. C. Neogy:** (a) With reference to questions put by Mr. S. C. Shahani on the 29th January, 1931, and by Mr. B. Das on the 29th March, 1932, in this House, and question No. 141, asked by Lala Jagdish Prasad in the Council of State on the 8th March, 1933, and question No. 781 put by me in this House, on the 11th September, 1933, on the subject of the development of the Indian Mercantile Marine, and the common answer given on all those occasions by the Honourable the Commerce Member that the solution of the question of an adequate participation of Indian shipping both in the coastal and overseas trade of India was to be reached by the policy of negotiations between the British and the Indian shipping companies,

(i) is it a fact that the recent arrangements between the British shipping interests and the Indian shipping interests have practically closed the door of the participation of Indian shipping in the overseas trade of India; and

(ii) are Government aware that so far as the small Indian steamship companies are concerned, the present policy of the British shipping companies of waging a rate war against these small Indian steamship companies may soon wipe them out of existence?

(b) Will Government be pleased to state the steps they propose to take to provide for the participation of Indian shipping in the overseas trade of the country, and will Government be pleased to state, whether they are prepared to explore other means for achieving that object, as promised on their behalf by the Honourable Sir George Rainy on the 23rd September, 1929?

(c) If the answer to part (a) (ii) be in the affirmative, will Government be pleased to state what steps they have taken or what immediate steps they propose to take to see that the small Indian steamship companies are not wiped out of existence and that their declared policy "to facilitate the growth and the expansion of the coastal trade of India in so far as that coastal trade is operated by Indian agencies and through the instrumentality of Indian capital" does not signally fail?

**The Honourable Sir Joseph Bhore:** (a) (i) and (b). I am not in possession of the final details of the arrangements referred to by the Honourable Member, but as far as my information goes it is not a fact that Indian shipping has been debarred from entering the overseas trade.

(a) (ii). Of the small Indian steamship companies, one namely, the Bengal-Burma Steam Navigation Company, has already been provided for in the arrangements referred to. With regard to the others, my information is that negotiations are still proceeding.

(c) Does not arise.

**Mr. R. S. Sarma:** Are Government aware of the fact that there is already a scheme for starting a steamship company in Southern India for the purpose of transporting paddy to Ceylon in view of the prohibitory railway freight and, if that is started, will Government be pleased to give all the assistance they can?

**The Honourable Sir Joseph Bhore:** I am not aware of the fact, but I would advise those, who are responsible for starting new steamship companies, to consider the position carefully, because, at the present moment, the depression in the shipping trade is almost unprecedented.

**Mr. K. C. Neogy:** Is it a fact that a rate-war is proceeding at the present moment on the west coast of India?

**The Honourable Sir Joseph Bhore:** I cannot exactly say whether a rate-war is proceeding, but what I can say is that negotiations are proceeding and that information was supplied to me by the Managing Director of the Scindia Steam Navigation Company himself.

**Mr. K. C. Neogy:** Is it a fact that the basis of these negotiations is that the existing smaller companies plying on the west coast of India have to strictly limit their tonnage to the present figure at least for the next seven years, that they have to give up their right of trading in certain areas, and that they have to limit their coasting trade between definite points and thus limit their present activities only in return for an assurance from the most powerful company in the field that they will cease to wage rate-war against them.

**The Honourable Sir Joseph Bhore:** I have no authentic information, Sir, in regard to the details of the negotiations which are going on, but I have been assured that an attempt is being made by all the companies to come to an amicable settlement in this matter.

**Mr. K. C. Neogy:** What part are Government taking in regard to these negotiations?

**The Honourable Sir Joseph Bhore:** Government are taking no part. It is a matter primarily for the steamship companies concerned, and unless they invoke the informal intervention of Government in this matter, Government do not propose to intervene.

**Mr. K. C. Neogy:** Do I take it then that the Government are merely disinterested spectators?

**The Honourable Sir Joseph Bhore:** They are very interested spectators.

**Mr. K. C. Neogy:** In what way do they propose to show their interest in the matter?

**The Honourable Sir Joseph Bhore:** They are watching very closely the result of these negotiations and, if their informal intervention is sought, that intervention will not be denied.

**The Honourable Sir Harry Haig (Home Member):** May I, with your permission, Sir, amend an answer which I have just given to a supplementary question on question No. 1265? Dr. Ziauddin Ahmad asked me what was the answer to part (c) of that question, namely "What was the name of the companion of the deceased?" I am afraid, in answering the question, I did not read the whole sentence which is: "What is the name of the companion of the deceased who escaped his fate?" As a matter of fact, the American lady, whom I mentioned, was murdered at the same time and, as far as I am aware, there was no companion who escaped his fate. I just wanted to make that point clear.

## THE INDIAN TARIFF (SECOND AMENDMENT) BILL.

### PRESENTATION OF THE REPORT OF THE SELECT COMMITTEE.

**The Honourable Sir George Schuster** (Finance Member): Sir, I beg to present the Report of the Select Committee on the Bill further to amend the Indian Tariff Act, 1894, the Indian Finance Act, 1931, and the Sea Customs Act, 1878, for certain purposes.

## THE RESERVE BANK OF INDIA BILL.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of the Reserve Bank of India Bill. The question is that clause 2 stand part of the Bill. The first amendment is in the name of Mr. Vidya Sagar Pandya (Amendment No. 10 in the Consolidated List, Part I). If the Chair have understood the Honourable Member's amendment correctly, it would be a consequential amendment if the House agrees to adopt his scheme for a metallic currency and gold coins. Is that correct?

**Mr. Vidya Sagar Pandya** (Madras: Indian Commerce): Sir, "Bank Notes" have nothing to do with a metallic currency. The definition of "currency note" can now be provided in the Bill.

**Mr. President** (The Honourable Sir Shanmukham Chetty): But the amendment is consequential on certain other amendments that the Honourable Member has got further down on the Order Paper?

**Mr. Vidya Sagar Pandya** I do not think so, Sir, but if the Chair thinks so, then I am quite prepared to postpone it.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Does the Honourable the Finance Member think this amendment can stand over?

**The Honourable Sir George Schuster** (Finance Member): Sir, I think in many ways this amendment may be more conveniently taken later, because my answer to my Honourable friend's amendment will be more or less on the lines that what my Honourable friend's amendment seeks to provide for here is covered by provisions in other parts of the Bill.

**Mr. President** (The Honourable Sir Shanmukham Chetty): In the opinion of the Chair, it will be better if it leaves Mr. Vidya Sagar Pandya's amendment for the present, in which case what the Chair will do is this. The Chair will allow the other Honourable Members to move their amendments and it will not put the question on clause 2, which it will defer until a later stage. The next amendment will be that Mr. Sitakanta Mahapatra (No. 1 of the Late List).

**Mr. Sitakanta Mahapatra** (Orissa Division: Non-Muhammadan): Sir, I beg to move:

"That for sub-clause (c) of clause 2 of the Bill the following be substituted :  
(c) 'provincial co-operative bank' means any society which is registered or deemed to be registered under the Co-operative Societies Act, 1912, or any other law for the time being in force in British India relating to co-operative societies and the primary object of which is the financing of other societies in a province which are or deemed to be so registered;"

Sir, I may be permitted to tell you at the very outset that, by moving this amendment, I am not going to introduce any very controversial issue or bring about a radical change in the Bill under consideration. My very humble motion merely places before the House a proposition to modify the definition of "provincial co-operative bank" as it was placed before this House by the Honourable the Finance Member in the original Bill itself.

Sir, as a new recruit to this august House, I have heard with rapt attention the speeches that were delivered on its floor during the last four days. Charges that were levelled against the Government in general and the Finance Member in particular were many and varied. These charges came from almost every section of the non-official side of the House. On the other hand, praises and encomiums were lavishly showered on the heads of members of the Joint Select Committee and particularly on those of the nationalist section of the said Committee. But, Sir, as one coming from a country where there is hardly any industry except the agricultural industry—a country which is almost entirely a temporarily settled area and where rural indebtedness is at its highest—I confess, and I have no hesitation in doing so, that the definition of "provincial co-operative bank" that was placed before the House by the Honourable the Finance Member, who has been called the autocrat of autocrats, was indeed very democratic and was done with the best interests of the peasant, the agriculturist, and the producer in view and what the Select Committee has done is quite anti-national. As one living in a village having close touch with villagers—of whom the teeming millions of India are composed—I frankly declare on the floor of the House, and I do so with unbounded gratitude to the Government that the definition of a "provincial co-operative bank" which the Honourable Sir George Schuster, who has been depicted as the unscrupulous agent of the Great Mughal at Whitehall, originally placed before the House really aimed at linking up, as time goes on, the innumerable Central Co-operative Banks in district headquarters that exist in India today or that may come into existence hereafter directly with the Reserve Bank of India and thereby bringing the Reserve Bank into close and direct touch with those for whom it should exist—the teeming millions of India. But the definition of a "provincial co-operative bank", as it has emerged from the Select Committee, has aimed at keeping connection with the one bank in a province which they have named the "Principal Society" and which is financed by capitalists is mainly managed by them, and makes a heavy middleman's profit for which ultimately the already heavily indebted peasant in the village suffers.

As one having direct connection with the co-operative movement in the country, not as a financier or an economist, but as a humble field worker—a movement which alone has honestly attempted to tackle the great problems of rural credit and rural reconstruction, but which is on the verge of breaking down probably everywhere in India,—this I say in spite of the high sounding talk that is being reported from the Punjab or Bombay, due to unprecedented fall in the prices of agricultural produces—I am bound to say that the Select Committee has not been able to judge the question from the point of view of how to save the co-operative movement in the country from collapse and the attitude that they have taken will not earn them the gratitude of the agriculturists at whose distress many a tear has been shed here in this House.

But, Sir, I do not blame the members of the Select Committee for what has been done, because, I am afraid, they did so after hearing the evidence of the great authorities on Co-operative Economics and Finance

[Mr. Sitakanta Mahapatra.]

that were brought from distant places to show them the way—Mr. Ramadas Pantulu, President of the Indian Provincial Co-operative Banks Association and the Madras Provincial Co-operative Banks and Professor Kale, who is also very intimately connected with the Bombay Provincial Co-operative Bank. They are great financiers and custodians of the interests of the principal provincial banks whose interest would have ultimately suffered by the definition that the Government originally proposed. But now the Select Committee have adopted a definition for a “provincial co-operative bank” which cuts at the very root of direct rural credit and benefits the capitalists in provincial headquarters at the cost of the poor agriculturists who live in the remote villages and have never heard of the name of “the Principal Bank”.

I may also point out here that the definition that I propose for a “provincial co-operative bank” is the same as that which the Honourable the Finance Member originally proposed, and I have nothing but unstinted praise for his sagacity, and it was carried in this House in 1927, when probably the House was more alive to the welfare of the masses.

As this definition was proposed by the Government originally and as the Honourable the Finance Member has evinced great concern for the agriculturists, I have no doubt my very humble and modest suggestion has the sanction and approval of the Government. I now commend the matter for the deep consideration of that section of the House that is really more zealous of the welfare of the co-operative movement and the peasant than the official section. In the category of peasants I include the small landholders, who, to all intents and purposes, are peasant proprietors. I may tell you once again, Sir, that by accepting my amendment, the District Central Co-operative Banks will not come within the fold of the Reserve Bank all at once, but only those that can fulfil the rigid conditions to be laid down by the Reserve Bank can come and it may be that, in course of time, a situation may come in the country when all the central co-operative banks will have claimed themselves with the Reserve Bank. Sir, with these words, I move my amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

“That for sub-clause (c) of clause 2 of the Bill the following be substituted :

“(c) ‘provincial co-operative bank’ means any society which is registered or deemed to be registered under the Co-operative Societies Act, 1912, or any other law for the time being in force in British India relating to co-operative societies and the primary object of which is the financing of other societies in a province which are or deemed to be so registered;”

**Mr. T. N. Ramakrishna Reddi** (Madras ceded Districts and Chittoor : Non-Muhammadan Rural): Sir, I have great pleasure in supporting this amendment which is moved by my friend, Mr. Mahapatra, in his excellent maiden speech. The amendment is nothing but the reproduction of the definition that was given in the original Bill. According to the original Bill, the definition of a “provincial co-operative bank” included any society in a province whose sole object is financing other co-operative societies started under the Co-operative Societies Act, 1912. Hence, even the central district co-operative banks came also under that definition. Now, according to the Bill, as amended, it refers only to the apex bank which is the principal co-operative bank in the Presidency. So the definition in the present Bill is very restrictive in its scope and operation.

**Mr. G. Morgan** (Bengal: European): What about the proviso?

**Mr. T. N. Ramakrishna Reddi:** I will explain the proviso afterwards. Now, Sir, the Select Committee had the advantage of the presence of witnesses like Mr. Ramadas Pantulu and Professor Kale and others who are perhaps the Presidents of the Provincial Co-operative Banks in their respective Presidencies and, therefore, they favour the restriction of the definition only to the apex banks in the Presidency towns. In clause 17 of this Bill, you will find the functions of the Reserve Bank. In sub-clause (b) of clause 17, it is mentioned that the functions of a Reserve Bank are "the purchase, sale and rediscount of bills of exchange and promissory notes, drawn and payable in India and bearing two or more good signatures, one of which shall be that of a scheduled bank or a provincial co-operative bank and drawn or issued for the purpose, etc.". Under sub-clause (4) of clause 17, the Reserve Bank can advance moneys to various banks mentioned therein including the provincial co-operative banks. Thus, under these clauses in the amended Bill, it is only the apex banks that get the benefit and not the central co-operative banks whose working capital exceeds more than five lakhs which is essential for any bank to come in the Schedule. The district co-operative banks are solely engaged in financing other rural credit societies for the purpose of financing agricultural operations and other purposes and the marketing of crops, and so on. Hence, the definition given in this amended Bill is very restrictive and it prevents the Reserve Bank giving help to such district central banks which are doing the same business in the districts as the apex banks do.

**Mr. B. Das** (Orissa Division: Non-Muhammadan): The district branches are the branches of the Central Bank.

**Mr. T. N. Ramakrishna Reddi:** Not necessarily. They are mere shareholders; they are not branches; they do independent work. Sir, this amendment has come about, simply because Mr. Ramadas Pantulu and others, who are the Presidents of the Provincial Banks, tendered their evidence before the Joint Select Committee. They have guarded the interests of these banks, but there was nobody to guard the interests of these central banks.

**Khan Bahadur Mian Abdul Aziz** (Punjab: Nominated Official): Is there any evidence that a district central bank has been starved for want of funds?

**Mr. T. N. Ramakrishna Reddi:** That is not the object. You may apply the same thing with regard to provincial banks. Why should the Reserve Bank help the provincial banks by making advances? I only wish to extend the same help to other central banks in the various districts which do the same kind of work. Hence, I have great pleasure in supporting this amendment.

My friend, Mr. Morgan, asked me to refer to the proviso. Well, Sir, the proviso simply says this:

"Provided that where there is no such principal society in a province, the Local Government may declare the central co-operative society in that province to be provincial co-operative society within the meaning of this definition."

[Mr. T. N. Ramakrishna Reddi.]

It only refers to a province where there is no apex bank such as the United Provinces, Orissa and Burma. But what about the other provinces where there are provincial co-operative banks? With regard to such provinces, it restricts its scope only to that particular bank.

**Raja Bahadur G. Krishnamachariar** (Tanjore cum Trichinopoly Non-Muhammadan Rural): Sir, I whole-heartedly support this amendment. It will be remembered that in my plea regarding the absence of facilities in this present Bill for the agriculturist to raise loans at the time when he has got to pay the Government *kist* or when he has got to meet the urgent demands for agricultural operations, I said that there was no facility given to him except by getting the counter-signature of one bank which is operating in the Madras City or probably in some populous centres, and there is one bank which is doing its work on the west coast. If this amendment is accepted, in view of the fact that there is a district bank in every district, and people who are in charge of the organisation of those banks, presumably the landholders in the district, can be approached by the agriculturists to raise money from the Reserve Bank. I can go to them and say that I have got my wares in my godown, but I cannot get money, because I do not want to sell them at the depressed rate. So I can have their counter-signature and then go to the Reserve Bank and, subject to my satisfying the usual conditions, I shall be able to get the money. That is an important reason why I would support this amendment. I do respectfully ask this House and the Honourable the Finance Member to restore what he himself had framed in the original Bill and which, for some reason or other, which I cannot understand, has been restricted to this one bank in each province partly conducted, as has been said by the Honourable the Mover, by capitalists who share all the profits, and, so far as the agriculturists are concerned, they have nothing to do with them except through one bank and another bank, and so on. That is a very unsatisfactory arrangement and I, therefore, say again that I do support the amendment.

**Mr. Lalchand Navalrai** (Sind: Non-Muhammadan Rural): The first duty I will do is to congratulate the youngest Member of this Assembly—Mr. Sitakanta Mahapatra, for having made a very good beginning. We know he occupies the seat of one of the oldest Members of this Assembly, Mr. B. N. Misra, whose death we all deplore.

Sir, I would submit that I am in full accord with this amendment and the attempt in this House is to give as much help to the rural credit as we can possibly do. Government profess that they have the same interest at heart and it is in that spirit that I see that the original Bill gave a wider definition of a co-operative bank. I find difference made in the Select Committee, because they have restricted the scope of the definition. The original definition was wide enough to include district co-operative banks and others, whereas, in the present Bill, it is restricted only to the principal co-operative society in a province. I do not know what reasons actuated the Select Committee to give this narrow definition and amend the Bill in this manner. I do not in the least agree with the amendment that has been made by the Select Committee. I am in full accord with the original provision. The result of restricting the meaning of a provincial co-operative bank will be affecting many sub-provinces and districts. In my province, Sind,—which is not a province, being a part of the province

of Bombay, and this definition, as it is, will do no good to Sind. It will not give it any co-operative advantage contemplated by this Bill.

**An Honourable Member:** It is going to be a province soon

**Mr. Lalchand Navalrai:** We do not know. I do not want to provoke controversy in this House at this stage by raising this question. We still believe that the Parliament will do justice to the minority community in Sind, namely, the Hindus, and not accept the separation of Sind. Whatever that may be, I do not want to say anything upon that question now, but I will restrict myself to the argument that I am placing before the House, namely, that Sind will be a sufferer if you restrict this definition and only make it applicable to co-operative banks of the province alone. Therefore, I do realise that the definition, as it is, will do a great harm and I suggest that the definition in the original Bill should be reverted to

**Sirdar Harbans Singh Brar (East Punjab: Sikh):** I rise to support the amendment moved by my Honourable friend, Mr. Mahapatra. It is a very well conceived amendment and, I am sure, that the Honourable the Finance Member, who had brought it out in the original Bill, will do so again now. Due to the City interests that prevailed in the Select Committee, the clause was so altered, because they considered more the commercial and industrial interests in the principal towns of the province.

**The Honourable Sir George Schuster:** I must protest against the charges of my Honourable friend in this respect. (Hear, hear.)

**Sirdar Harbans Singh Brar:** Some of the central co-operative banks hold much larger capital than many of the banks which provide capital for industry and I do not see why they should be treated differently. In some provinces, there are as many as 30 to 40 central co-operative banks which are situated not in headquarters of the province, but in the districts with large capital whose main concern is to provide seasonal credit for agriculture and to provide the rural people with credit when they are badly in need of it. I would urge on the Honourable the Finance Member with much confidence to look not only to the commercial and industrial interests of the people in the city, but also to agricultural interests. If this clause is amended, as suggested by the Honourable the Mover, it will give an opportunity to the central co-operative banks to get credit from the Reserve Bank for financing the rural people. I heartily support the amendment and commend it for the acceptance of the House.

**Hony. Captain Rao Bahadur Chaudhri Lal Chand (Nominated Non-Official):** I join with my Honourable friend, Mr. Lalchand Navalrai, in congratulating the Honourable Member to my right on his maiden speech.

The object underlying this little change is a laudable one. It simply wants a provision to be made by which the central co-operative banks, that fulfil all the conditions laid down for the purpose of dealing with the Reserve Bank, should be given power to deal direct with the Reserve Bank and not through the provincial co-operative banks. The change is merely one of procedure. There is nothing against a co-operative central bank dealing with the Reserve Bank direct, for the proviso to clause 2 makes it possible for those central banks to come into direct contact with the Reserve Bank where there is no provincial co-operative bank. Therefore, it will mean that the Central Bank at Delhi will have direct dealings

[Rao Bahadur Chaudhri Lal Chand.]

with the Reserve Bank, while the co-operative district bank of Lyallpur, which is perhaps 15 times bigger than the Delhi Bank and much more efficient than the Delhi Bank, will be debarrased and will have to come, through the provincial co-operative bank. So this is merely a matter of procedure and, as it will do away with, what I may call, one middle-man, it will be indirectly beneficial to the individual members, for the individual members will have only to deal through one bank, whereas if they are forced to go through the provincial bank, they will have the middle-man and each one of them will have some margin left for himself. So there is nothing much in this change except that it will make it possible for district co-operative banks which are doing very good work and which have got much bigger capital than some of the scheduled banks to come into direct touch with the Reserve Bank.

I was looking into the report of the Select Committee and I find that this change is not even referred to in the report. From clause 2, sub-clause (b), the report passes on to sub-clause (d). No particular reasons have been assigned and, therefore, I think the Select Committee thought that it was a change which mattered very little. Therefore, I am sure, the Honourable the Finance Member, who very rightly in his original Bill brought in all the central banks that made it possible for the central banks to come in, will kindly accept this small amendment. But, as I have said, this is not such a fundamental change and I would not ask my friend, the Mover, to press it to a division. I hope the amendment will be accepted by Government and also by all other parts of the House. Sir, I support the motion.

The Assembly then adjourned for Lunch till Two of the Clock.

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The Assembly re-assembled after Lunch at Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

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**Diwan Bahadur A. Ramaswami Mudaliar** (Madras City : Non-Muhammadan Urban): Sir, I beg to support the amendment that has been so ably moved by my friend. His amendment really brings it back to the position in which it stood when the Bill was first introduced into this House. I understand that the Select Committee made this amendment at the suggestion of some non-official experts of the provincial co-operative department who came as witnesses before the Committee: I think that there is a great deal of force in what my Honourable friend has said that it should be possible for the district central banks also to come to arrangements with the Reserve Bank and to get loans from the Reserve Bank. It ought not to be necessary for every co-operative bank in the whole province to go to the Reserve Bank only through the medium of the provincial or the apex bank of the province. Apart from all other considerations, political and otherwise, which may detract from the value of the privilege given to the co-operative system if this inhibition was laid on the other central banks, there is this consideration that inevitably it will ultimately increase the rate of interest which will have to be paid by the primary producers and consumers. The provincial bank will, in

its turn, charge a little more rate of interest to the district central bank: the district central bank will, in its turn, charge a little higher rate of interest to the primary co-operative societies, and so on: just as for instance when a local body gets a loan from the Local Government, the Local Government get it from the Government of India; each of them passes on a certain amount of added interest till the local body feels that it is unable to take a loan at the rates of interest charged. Therefore, I think that it will be advisable if a certain number of other central banks than the apex bank are also given the privilege. I do recognise that it will not be possible to give this privilege to every one of the district banks and, if it is necessary, I am prepared to accept the suggestion personally that these other central banks, other than the provincial head bank, should be among a list of approved banks by the Local Government in which case the danger, that the Select Committee was apparently confronted with, would disappear. I, therefore, support the amendment moved by my Honourable friend.

**Mr. Gaya Prasad Singh** (Muzaffarpur *cum* Champaran: Non-Muhammadan Rural): Sir, as a member of the Select Committee, I also have very great pleasure in supporting this proposed amendment. My Honourable friend, in his excellent maiden speech, has brought out all the arguments in favour of his proposed amendment. So far as I remember, the clause, as it stands in the Bill, was inserted at the instance of some of the expert witnesses, and I hope Government also will see their way to accept this arrangement which has for its object the extension of the benefit of the Bank to the co-operative societies, and to banks other than the apex banks to which reference is made in the clause in question.

**The Honourable Sir George Schuster:** Sir, I should like to make it clear on my own account and I think on account of every member of the Joint Select Committee, who has not spoken today, that as far as the object is concerned, we are entirely at one with those Honourable Members who have supported this amendment. We want to do the most that we can to bring the co-operative movement into touch with the Reserve Bank; but we felt that it does not necessarily follow that in order to do that the right thing to do is to try and put every co-operative society into direct touch with the Reserve Bank. The principle on which we were working in fact was that, in order to help the co-operative movement, the first thing that is necessary is that the co-operative movement itself should be well organised; and, in limiting the definition to the apex societies in each province, we had in mind that it would help the movement if an apex society was confirmed in its own position of authority for controlling and co-ordinating the co-operative organisations in the province. On the other hand, we have already had to admit an exception to that: we particularly had in mind the case of the United Provinces where there is no apex society; and I am told that the same situation also prevails in Burma; and, therefore, we added a proviso to the definition, and, in a sense, by doing that, we have to some extent departed from the principle or at least admitted an exception to it. I have had the advantage in the luncheon interval of talking personally to one or two Members who have supported this amendment, and I think that the simplest way of meeting everybody's object would be to add a few words to the proviso. My own suggestion—and this has been only hastily considered—is that the words "in addition

[Sir George Schuster.]

to such principal society in a province or" should be added after the words "provided that", so that the proviso would read as follows:

"Provided that, in addition to such principal society in a province or where there is no such principal society in a province, the Local Government may declare any central co-operative society in that province to be a provincial co-operative society within the meaning of this definition;".

I think that is the simplest way of allowing in special cases or rather in approved cases an ordinary central co-operative society to get into direct contact with the Bank and to make it possible that its signature on a bill will be counted as a good one. Speaking on behalf of Government, I should have no hesitation in accepting that position and I believe that my Honourable friends, who were on the Select Committee, would also be agreeable to modify their own views to that extent.

I would just like to add that in adopting the form which we did we were also in accord with the recommendations of the Central Banking Inquiry Committee, whose recommendation was that it should be a provincial society which should be given these privileges. That merely is an additional support to the view that we took, but I do not consider it as any substantial modification of that to accept the words which I have suggested; and if that is acceptable to my Honourable friend who has moved this amendment and those who have supported it, I can say at once that we should accept it on behalf of the Government.

Before I sit down, I would like to associate myself with those who have congratulated the Honourable Member who moved this amendment on a very interesting maiden speech, and I would like to say how pleased we are to see him with us and to welcome here another Member from that highly favoured area of India, called Orissa, who will be, I think, a fitting colleague to co-operate with my Honourable friend, Mr. B. Das, whom we all know so well, on behalf of what he himself so frequently describes as the teeming millions of India. Sir, that is our position. I will read the words again. The proviso would then read:

"Provided that in addition to such principal society in a province or" and then it goes on as it stands. That is our position, Sir, and I would be very glad to know if that satisfies my Honourable friend.

**Mr. Sitakanta Mahapatra:** Sir, I am prepared to accept that amendment.

**Mr. President (The Honourable Sir Shanmukham Chetty):** Do I take it that the Honourable Member moves it as an amendment?

**The Honourable Sir George Schuster:** I am prepared to do that if my friend will withdraw his amendment.

**Mr. Sitakanta Mahapatra:** Yes, I am willing to withdraw it.

**The Honourable Sir George Schuster:** Sir, I move:

"That in the proviso, after the words 'Provided that' the following words shall be added:  
"in addition to such principal society in a province or."

**Mr. President** (The Honourable Sir Shanmukham Chetty): Does the Honourable Member accept that amendment, and would he ask the leave of the House to withdraw his amendment?

**Mr. Sitakanta Mahapatra:** Sir, I accept the amendment proposed by the Honourable the Finance Member and I would ask the leave of the House to withdraw my motion.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Has the Honourable Mr. Mahapatra the leave of the House to withdraw his amendment?

**Several Honourable Members:** Yes, yes.

The amendment of Mr. Mahapatra was, by leave of the Assembly, withdrawn.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Then the question I have to put is:

"That in sub-clause (c) of clause 2, in the proviso, after the words 'Provided that', the following words be added:

'in addition to such principal society in a province or'."

The motion was adopted.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The next amendment is No. 11 standing in the name of Raja Bahadur Krishnamachariar.

**Raja Bahadur G. Krishnamachariar:** Sir, the amendment that I have the honour to move reads thus:

"That to sub-clause (e) of clause 2 of the Bill the following be added:

'and such other banks and bankers who carry on the business of banking according to indigenous methods a list whereof shall be notified in the Gazette of India from time to time by the Governor General in consultation with the Local Governments and the Central Board and subject to such conditions regarding capital, maintenance of accounts, inspection and credit as the Central Board may lay down'."

Sir, my object is that to the list of scheduled banks these indigenous banks and bankers should also be added. I have copied these words from the Report of the Central Banking Inquiry Committee, because, at pages 106 to 110, where they deal with the facilities to be accorded to indigenous banks and bankers so as to bring them in contact with the Reserve Bank, they have made this suggestion. The reasons for the addition of the above have been so elaborately given by the Banking Inquiry Committee, that I do not think I need dwell on them at length. But, shortly, the position is this. The Central Banking Inquiry Committee have found that in some manner or other these indigenous bankers and banks must be brought into line with the banks that have been included in the Schedule, because they found that India consists of 2,400 towns, and there are only 444 banks which serve these large number of towns. Besides that, the facilities which these indigenous bankers are prepared to give are more easily accessible than the facilities offered by these central banks with their registered offices far away and all the other paraphernalia of a bureaucratic administration.

**An Honourable Member:** Question?

**Raja Bahadur G. Krishnamachariar:** Somebody questions. I am sure, if they had some experience of the way in which some of the scheduled banks are carrying on their business, they will not question my statement. However, Sir, the position is this. We want agricultural credit; we want that some method should be devised by which we might get the money that is required for paying the Government *kist*, or meeting the expenses of agricultural operations and for marketing the crops, and in order to facilitate the getting of that credit near our own places rather than go all the way from one end of the Presidency to another only to be told perhaps—"We do not know you and so we cannot give you credit"—we want this facility. And, Sir, in view of the fact that the Central Banking Inquiry Committee was set up in order to find out the conditions under which the banks work in this country so that they may determine how the Reserve Bank may eventually be constituted, I think this amendment, which is a very simple one, ought to commend itself to Government. And, Sir, I do not know why the Finance Member has not told us as to the conditions under which the Committee in London was set up and the conditions under which it was set up, because, Sir, in view of the conclusions arrived at by the Central Banking Inquiry Committee, I respectfully submit that it was their duty to go into this matter for what reason these indigenous bankers could not be roped into this scheme as members of the scheduled banks. As for their capacity, I think it is well known that there are several bankers throughout the country each one of whom has got capital worth three or four times more than the capital of three or four scheduled banks put together. The only objection that could be raised against their inclusion is with regard to their method of doing banking business, because their ways are quite different from the modern methods. In order to provide against that, I have stated that subject to such conditions regarding capital, maintenance of accounts, inspection and credit as laid down by the Central Board.

Now, Sir, the Central Board which will direct the affairs of the Bank knows exactly what sort of conditions should be laid down, and if these indigenous banks and bankers, for whom I am speaking, are willing to conform to those conditions, there is absolutely no reason why they should not also be brought within the scheme of this Reserve Bank Bill. Sir, I move . . . .

**Sir Cowasji Jehangir** (Bombay City: Non-Muhammadan Urban): May I ask just one question, Sir? Why should not the indigenous bankers just now conform to the conditions that are laid down for scheduled banks, and then they could come under the Act immediately.

**Raja Bahadur G. Krishnamachariar:** I am not quite sure if I have followed the question correctly. Is it the point that they should get themselves registered as these banks under the Companies' Act?

**Sir Cowasji Jehangir:** Yes.

**Raja Bahadur G. Krishnamachariar:** Now, with regard to that, I am sorry I am not enamoured of Companies management under the Act. I may give one or two instances. There are two great bankers in Hyderabad, Raja Narsingirjee and Raja Bahadur Sir Bansilal, and between them they have got a capital of four or five crores. They certainly do not want to take in partners with them. I do not know how, under the Companies

Act, they could be included as theirs will be a one-man concern, but certainly I do think they are entitled to be brought in without their being compelled to be registered as a company under the Act and then get the advantages. As a matter of fact, I am not sure whether some of these bankers may be willing to do so if you put all these conditions, but in order to safeguard the money that the Reserve Bank will advance, conditions have got to be laid down. By all means lay down the conditions, insist that those conditions should be observed very strictly, and so long as provision is made for including them in the scheduled banks, I shall be satisfied, and there is no reason why they should go through the door of the Indian Companies Act.

**Mr. President (The Honourable Sir Shanmukham Chetty):** Amendment moved:

"That to sub-clause (e) of clause 2 of the Bill the following be added :

"and such other banks and bankers who carry on the business of banking according to indigenous methods a list whereof shall be notified in the Gazette of India from time to time by the Governor General in consultation with the Local Governments and the Central Board and subject to such conditions regarding capital, maintenance of accounts, inspection and credit as the Central Board may lay down."

The Chair would just like to point out to the House that technically the Honourable Member is in order in moving that amendment, but the Chair would ask the House to realise that, if the amendment is adopted by the House, it would impose upon those banks all the obligations mentioned in clause 42. If Honourable Members want to exclude these indigenous bankers from those obligations, then consequential amendments will have to be made to clause 42 and other clauses.

**Raja Bahadur G. Krishnamachariar:** May I submit that I have, in one of my amendments that I propose to clause 42, mentioned some of those facts, but I am not sure I have done that so comprehensively as is now suggested by you.

**The Honourable Sir George Schuster:** On this point also I think there is no quarrel between anybody in this House on the general object of my friend, but I feel that there are certain objections in attempting to achieve his particular object in this way.

We considered this matter very carefully in the Select Committee, and we decided that it would not be satisfactory to put into the Bill anything in the nature of a blank cheque and that, before an attempt was made to bring the so-called indigenous bankers within the sphere of the scheduled banks, the whole problem needed rather more thinking out. We, therefore, adopted the alternative recommendation of putting upon the Bank a statutory obligation to study this problem and put up proposals as quickly as possible. We believe that that is the more satisfactory way of dealing with it.

I would point out to my Honourable friend that the position of a scheduled bank carries with it obligations and restrictions as well as privileges. I hope that no one in this House would support bringing in a group of bankers within the circle of the privileges which are available to scheduled banks without imposing upon them the corresponding restrictions and obligations. I venture to ask my Honourable friend whether he is quite satisfied that all these indigenous bankers would welcome it if they suddenly

[Sir George Schuster.]

found that the Governor General had, after due consultation with the various authorities which he has suggested, notified them on a list in the Gazette of India as liable to put up the Statutory minimum compulsory deposits with the Reserve Bank, and so on.

There are two sides to this question, and I venture to put it to my Honourable friend that it is better that this matter should receive a little more consideration, and that carefully thought out and definite proposals should be provided for by legislation rather than that we should give, what I have described as, a blank cheque to the Governor General to add anybody whom he likes to the list of scheduled banks. Another point which I would like to put arises out of what you, Sir, yourself have said. It seems to me that, in a definition clause, it is rather unsatisfactory to attempt to provide for something which is intended to be really an operative Statutory provision. When one approaches these matters by the entrance door of the definition clause, one may find that a series of consequential amendments would have to be made in the operative clauses of the Bill, and I should not like to say myself offhand what consequential amendments would be necessary if this alteration were made in the definition. I, therefore, venture to put it to my Honourable friend that it would, if he wants to move a substantial proposal of this kind, really be better to do so in connection with clause 42 and the discussion on the second schedule. Then we shall know where we are, but at present if we were to adopt this definition, we might find that it did not accord with the other provisions of the Bill. That, Sir, is a formal point, but I would like to come back to the point of substance which I have made, and ask my Honourable friend whether he really wishes to press this amendment now and whether he does not think that the recommendation which we have made that this matter should be taken up at once by the Central Board and that they should submit carefully considered proposals for legislation on the subject—whether he does not think that that is really the most businesslike way of dealing with this question and one that is likely to produce the most satisfactory results to all concerned including those whose interests he is seeking to further by his amendment.

**Raja Bahadur G. Krishnamachariar:** I am sorry, the Finance Member was not able to accept it. No doubt, from his point of view, the reasons are quite good, but then, so far as some of the conditions imposed upon the scheduled banks under clause 42 are concerned, the Central Banking Inquiry Committee stated regarding compulsory deposits that they need not be made to make those deposits at all. (*An Honourable Member: "Why?"*) I do not know, they have given the reasons, and they are there in that book. When I tabled this amendment, the clause referred to by the Honourable Member was before me, and I did so in spite of the fact that it was there, because I feared that, once you put it in that manner, as these things have generally a habit of being put off, and off and off, and as . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): Order, order. The Honourable Member has no right of reply on an amendment. The Chair thought he was just going to explain his position whether he was going to withdraw or stick to his amendment.

**Raja Bahadur G. Krishnamachariar:** In view of the fact that the Honourable Member is not willing to support it, I am afraid, there is evidently not much support in this House, and, therefore, I beg leave to withdraw the amendment.

The amendment was, by leave of the Assembly, withdrawn.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The next amendment is by Mr. S. C. Mitra. It adds a new provision at the end of clause 2, but the Chair would inform the House that if they accept Mr. Mitra's amendment, then Mr. Bhuput Sing's amendment and Mr. Vidya Sagar Pandya's amendment will be out of order and cannot be moved. Honourable Members have got three amendments before them and they have to make up their minds which one they are going to support.

**Mr. Bhuput Sing** (Bihar and Orissa: Landholders): I do not want to move my amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Mr. S. C. Mitra.

**Mr. S. C. Mitra** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Sir, I move:

"That at the end of clause 2 of the Bill, the following be added :

'(f) 'Governor General in Council' means Governor General as advised by the Member in charge of Finance'."

The purpose of my motion is to add another definition. . . .

**The Honourable Sir Brojendra Mitter** (Law Member): I wish to take a point of order.

**Mr. President** (The Honourable Sir Shanmukham Chetty): You can. He has moved the amendment,

**The Honourable Sir Brojendra Mitter:** I submit that this amendment is out of order. The powers of the Indian Legislature are defined and limited by section 65 of the Government of India Act. Section 65(1) says that the Indian Legislature has power to make laws in certain cases, (a) to (f). Then, in sub-section (2), we find :

"Provided that the Indian Legislature has not, unless expressly so authorised by Act of Parliament, power to make any law repealing or affecting—

(i) any Act of Parliament passed after the year one thousand eight hundred and sixty and extending to British India . . ."

My submission is that this amendment will affect the Government of India Act which is an Act passed after 1860. (*An Honourable Member: "How?"*) I am going to show that. Section 40 deals with the Business of the Governor General in Council, but, before I deal with section 40, I will refer you to section 184 in which the term "Governor General in Council" is defined to mean "Governor General in Executive Council". Section 40(2) says:

"The Governor General may make rules and orders for the more convenient transaction of business in his Executive Council."

[Sir Brojendra Mitter.]

It is the Governor General's power to make rules for the distribution of business and it is by virtue of this clause that matters are brought before the Executive Council. As is well known, every administrative matter or every question that arises in the Government of India does not necessarily come before the Executive Council. It is only such matters as the Governor General directs should be discussed in Council that come before the Council and it is by virtue of the power given under section 40(2) that matters come before the Council. Then, if you look at section 41, you will see what the powers of the Executive Council are. Sub-clause (1) says:

"If any difference of opinion arises on any question brought before a meeting of the Governor General's Executive Council, the Governor General in Council shall be bound by the opinion and decision of the majority of those present."

I stop there. The power is vested in every Member of the Council to discuss matters brought before the Council and to vote upon it. Now, if the Governor General in Council means the Governor General acting on the advice of the Finance Member only, then you are taking away the power that is now vested by the Government of India Act in the other Members of Council. By virtue of section 41(1), every Member of Council can discuss a matter which is brought before the Council and to vote upon it. Mr. Mitra's amendment is that the Governor General in Council means the Governor General as advised by the Member in charge of Finance. That being so, you are taking away from the other Members of Council the right to vote upon matters concerning the Reserve Bank and quite conceivably out-vote the Finance Member. Then, Sir, we come to 41(3), where the Governor General acts against the advice of his Council. In every such case, any two Members of the dissentient majority may require that the adoption, suspension or rejection of the measure and the fact of their dissent be reported to the Secretary of State. This sub-clause gives any two dissentient Members of Council the right to have a reference to the Secretary of State. If Mr. Mitra's amendment is accepted, that right *vis-a-vis* the Reserve Bank is taken away. Therefore, my submission shortly is this, that this amendment contravenes section 40(2) in that it prevents the Governor General from bringing matters connected with the Reserve Bank before the Council and to be bound by the opinion of the majority. Secondly, it takes away the powers which are, by the Government of India Act, which is a Parliamentary Act, now vested in Members of Council other than the Finance Member and, thirdly, it takes away the power to refer which is now vested in any two dissentient Members of Council. Thus, this amendment contravenes or, at any rate, affects, the provisions of the Government of India Act. The language is "affect":

"The Indian Legislature has not power to make any law affecting any Act of Parliament."

My submission is that this amendment will affect the Government of India Act in the matters which I have submitted. Therefore, it is not competent for the Indian Legislature to pass a measure like this. What is the result if this Legislature passes something which it is not competent to do. For that I refer you to section 84:

"A law made by any authority in British India and repugnant to any provision of this or any other Act of Parliament shall, to the extent of that repugnancy, but not otherwise, be void."

Therefore, if anything is passed by us which is repugnant to the Government of India Act, it will, to the extent of that repugnancy, be void. Are you going to do something which is void? I submit that we ought not, and that you should rule this amendment out of order. I refer you to a well-known principle of law recognised in Courts of justice. Courts of justice never do anything in vain. You apply for an injunction. If it is found that that injunction will be ineffective, the Court will never grant that injunction. I would ask you to apply the same principle. Let us not do anything in vain.

**Mr. Vidya Sagar Pandya:** May I ask whether this objection applies equally to my amendment?

**Mr. President (The Honourable Sir Shanmukham Chetty):** That will be dealt with when that amendment is reached.

**Mr. S. C. Mitra:** The definition of Governor General in Council in section 134 applies only to the Government of India Act and this phrase "Governor General in Council" has been defined in the General Clauses Act and other Acts also. As regards the contention of the Honourable the Law Member that my amendment will deprive the other Members of the Governor General's Council, I can refer him to section 43 of the same Act. Section 43(2) says:

"The Governor General, during absence from his Executive Council, may, if he thinks it necessary, issue on his own authority and responsibility any order which might have been issued by the Governor General in Council to any Local Government, etc."

There are other similar provisions in the same Act itself. Had it been so repugnant as the Honourable Member thinks it to be, namely, that it deprives the Members of the Executive Council of the Governor General of certain rights, how is it that in the same Act, in section 43, it is provided that the Governor General can act for himself on behalf of the Governor General in Council in certain cases?

**The Honourable Sir Brojendra Mitter:** Sir, it will shorten matters if I draw my Honourable friend's attention to the words in section 65, "unless expressly so authorised". In those other sections there is express authorisation.

**Mr. S. C. Mitra:** My main contention is this, that the definition applies only to this particular Act, the Government of India Act itself. As regards the other Acts, certainly, if it is repugnant to the context, then it will not apply, but may I ask the Honourable the Law Member if, instead of putting this definition here, I could put in in every place in the different clauses where the words "Governor General in Council" appear, the words "Governor General as advised by his Finance Member"?

**The Honourable Sir Brojendra Mitter:** That may be all right.

**Mr. S. C. Mitra:** Then, that makes the Law Member's contention very ridiculous, because the purpose of my definition is only to cut short redundancy. If my Honourable friend goes to that extreme and is prepared to accept the words I propose to be substituted, namely, "Governor General as advised by his Finance Member". . . . .

**The Honourable Sir Brijendra Mitter:** Sir, probably I did not express myself quite clearly. On the argument that I have adduced before you, that amendment would offend against another section of the Government of India Act. It will immediately affect section 33 of the Government of India Act which says:

"Subject to the provisions of this Act, the superintendence, direction and control of the civil and military government is vested in the Governor General in Council, who is required to pay due obedience to all such orders as he may receive from the Secretary of State."

Now, the civil and military administration being vested in the Governor General in Council, if you take away money matters from the Governor General in Council and vest the powers in the Governor General *plus* the Finance Member, then you offend against section 33.

**Mr. S. C. Mitra:** Sir, the absurdity of that contention, you know every day. We all know that the Governor General in Council really means the Member in charge of his Executive Council assisted by the Secretary. Where there is no question raised by other Members of the Executive Council, the decision of the particular Member in charge of the Department is final. I say that the Honourable the Law Member's contention is without any substance. What I wanted to do was to shorten the labour of the House by putting it in the definition clause instead of moving so many amendments in almost all clauses and, for the purposes of this Bill, the Governor General in Council means . . .

**Mr. President (The Honourable Sir Shanmukham Chetty):** Order, order. It is an obvious fact that this House has not got the jurisdiction to restrict the powers vested in the Governor General in Council by the provisions of the Government of India Act. That is a quite obvious fact which does not require any elaborate argument. It is certainly open to this House, by an Act of this Legislature, to confer powers on any authority in India; provided the conferment of such powers is not inconsistent with any of the provisions of an Imperial Act. For example, in this Bill itself, this Legislature seeks to confer powers on the Central Board of the Reserve Bank. In another Bill it seeks to vest certain powers in the Board of Directors of the Imperial Bank. Similarly, the object of Mr. Mitra's amendment is to vest certain powers in a new body, "the Governor General acting with the advice of the Finance Member". To that extent, the House would be perfectly entitled to pass any law vesting certain powers in the Governor General acting with the Finance Member so long as that does not impinge upon the powers of the "Governor General in Council", and I think, therefore, that this amendment is in order.

**Mr. S. C. Mitra:** Sir, the purpose of my amendment is to test the *bona fides* of the Government, whether they really want this Central Bank of India not to be influenced by politicians, not only in India, but in England as well. That is the main purpose of this motion. Sir, I know the limitations of the powers of this House that we are not a sovereign Legislature. It is not necessary for the Honourable the Law Member or anybody else to remind me that, by some adaptation of clauses in the future Government of India Act, they can nullify all the purposes of this Legislature, but yet it is the bounden duty of this House to make

it clear, not only here but also in England, what our people demand and how this Bank should function, and if we are agreeable to accept the self-denying ordinance of having no power to exert any political influence over this Reserve Bank, we also want that the British politicians, in the interests of the financiers of the City of London, should not be enabled to influence the policy of the Reserve Bank. The discussion that we have had during the last three or four days as to whether it should be a State Bank or a Shareholders' Bank also principally hinges on the attitude of the Government on this motion. It has been very ably said by my friend, the Deputy Leader of our Party, Diwan Bahadur Ramaswami Mudaliar, that similar provisions are to be found everywhere; for instance, in the Australian State Bank, securing essential connection with the Governors General, but will he further consider what is the position of those Governors General as compared with the Governor General in India? I know His Excellency Lord Willingdon is very much anxious to be a constitutional Viceroy and Governor General. When that day will come, we shall have no objection to the Governor General being the ultimate authority to decide on many essential points; but what is the position today? It is no secret to anybody that as the Governor General in India is not responsible to anybody here, he is not a constitutional Governor General like the Governors General of Australia or Canada, and it has now become almost a fashion for the Governor General to be dictated to in the day-to-day policy by the Secretary of State.

**Mr. K. C. Neogy** (Dacca Division: Non-Muhammadan Rural): As if he is a post office.

**Mr. S. C. Mitra:** There was a time when there were more powerful Viceroys who resented this interference. I mean no reflection on the Governor General, but it is known to everybody in this House that even in minor matters, due to facilities provided by cablegrams and so forth, the Government of India have in effect been converted into almost a post office to carry out the orders of the Secretary of State. (Hear, hear.)

Sir, we in India certainly welcome a Reserve Bank, and we hope that India will have a constitution in the near future under which there will be a responsible Minister. With that expectation we fully agree that this Reserve Bank will primarily look to the interests of Indians. There is not the least contention on anybody's behalf that there should be any interference in the day-to-day affairs of the Reserve Bank of India by any politician, Legislature or the Government. What we claim is that finance being a transferred subject, the future Finance Member should be the proper person to advise His Excellency the Governor General to decide all vital questions. On these grounds I move that this definition may be accepted. If the Honourable the Finance Member accepts this amendment, it will be far easier for him to carry all the clauses of the Bill without much opposition from us.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That at the end of clause 2 of the Bill, the following be added :

"(7) 'Governor General in Council' means Governor General as advised by the Member in charge of Finance."

**Mr. Vidya Sagar Pandya:** Sir, it is very necessary that some definition of the Governor General in Council should be put in the Bill. Before I proceed, let me apologise to the House for a wrong information which I gave yesterday. The Governor General in Council appears in the Bill 92 times and not 88 times and the word "shareholders" appears 28 times. The result is that there is something like a partnership between the Governor General in Council and the shareholders through the Board of Directors appointed by them.

I am reminded of a small story which is very applicable to the present case. There were two boys, one a big boy, who had a shilling in his pocket, and there was another boy who had only a penny or two. By themselves singly they could not buy a cigar which they really wanted and, therefore, they formed a joint stock company of the shareholders type like this proposed Bank. When the good cigar was purchased, the big boy began smoking without allowing the small boy to have any pull at the cigar. Then the small boy said: "Look here, I have also subscribed two pence for it and why don't you allow me to have a smoke." The big boy said: "Look here, I am the managing director; so I will smoke and you can spit." (Laughter.) That is exactly the position of the Governor General in Council as the big boy in this Bill. The shareholders may spit though they have no power to do that even under the Bill. I wanted to call the Governor General as the Hero of this play, but a friend of mine says that he is the Villain of the piece. As such great powers are vested in him, it is absolutely necessary that we should know beforehand what the expression "Governor General in Council" means. Whether the Governor General means a gentleman sitting at a distance of 6,000 miles and pulling the strings of a "*kath-ka-pulta*", that is, a wooden doll, such as you see sold in the bazars of Delhi which goes on playing as the strings are drawn by the man who holds him. If the Governor General is to mean, as has been given out in the evidence of the Secretary of State for India, then I think it would be better that we did not have the Bill at all, because it will be worked in the interests of the London financiers and as dictated by the Whitehall. I am very sorry for our friends who went to England on our behalf to attend the London Committee. (*A Voice* "They were not appointed by us.") Very well, Sir, if I am wrong, I stand corrected. What I feel is that clause 119, which runs as follows, is very dangerous:

"The consent of the Governor General, given at his discretion, will be required to the introduction in the Federal Legislature of legislation which repeals or amends or is repugnant to any Act of Parliament extending to British India, or any Governor General's or Governor's Act or Ordinance or which affects any Department reserved for the control of the Governor General, or the coinage and currency of the Federation, or the powers and duties of the Federal Reserve Bank in relation to the management of currency and exchange or" etc., etc.

Now, the question is, whether under these circumstances, we are going to pass this Bill. In fact, we are being compelled to pass this Bill and we are told that it is open to us to pass this Bill, but we cannot touch the Bill hereafter. Then what is the use of such a Bill? Are we entirely to be left under the control or mercy of the Whitehall and the Secretary of State at their sweet will and pleasure? That is why we are anxious that the Governor General in Council should be so defined that he should be able to act on the advice of Ministers who may be responsible to the Central Legislature and not to a gentleman at such a long distance. I will

not tire the House with anything more. As soon as the Select Committee sat on the Bill, the first thing I did was to send a letter to the Honourable the Finance Member requesting him to kindly make this matter clear as to what will be the authority or powers of the Governor General in Council, not only now, but also in the new Federal Legislature. Subsequently, 12 other members of the Select Committee made a similar representation and a sort of explanation, which amounts to nothing practically, was given by the Finance Member. The matter was ably raised by my Honourable friend, Mr. Neogy, and others yesterday. Let me tell the Finance Member that his explanation yesterday did not satisfy us in the least. We have said in our minute of dissent that, if this matter is not made sufficiently clear, it will be open to us at any further stage of this Bill to advise the House not to proceed with the Bill. Sir, I support the amendment.

**Mr. Muhammad Azhar Ali** (Lucknow and Fyzabad Divisions: Muhammadan Rural): Sir, this Bill, as it has emerged from the Select Committee, may be said to have been improved to a large extent. But, we know the conditions that existed when it was presented before the Select Committee and the way in which the proceedings of the Select Committee were conducted and we know also how our suggestions have not been adverted to, as they were according to the public opinion and public wishes.

I do not want to enter into anything which may be confidential in the Select Committee, but certainly I am bound to say that the whole Bill has no democratic principle in it. The whole basis of this Bill is autocracy, pure and simple. I know that some of my friends here have spoken on the advisability of having a State Bank. But, as the Bill is under consideration and we know it for certain that a Shareholders Bank is coming and there is no other alternative for us, it is my duty before the House to show at least that, as we are about to enter into a new era of new Constitution, we should not make ourselves the laughing stock of the whole world and I should ask the House, therefore, to plead at least for democracy for this country. I would appeal to my countrymen that if they do not find in this Bill things, which are really based on democratic principles, it should be their first duty, as citizens of this country, as honourable citizens of India, to throw out this Bill unless they find that it is based exactly on those principles and nothing more.

This amendment which has been moved by Mr. Mitra is only based on democratic principles. It does not say that the Governor General in Council or the Governor General himself should have no power at all. This amendment does not derogate in any way from the powers of the Governor General in Council or the Governor General. It only strives towards democracy and nothing more. The principle underlying this amendment is that the Governor General should not have autocratic power of doing anything. I would ask the House to see whether the amendment proposed makes the next Governor General in a democratic country, for which we are all striving in the new Constitution, act as an autocrat or should he be allowed to act as a democratic ruler? The only amendment is that he should be advised by the Finance Member. Who will be that Finance Member? He will be the representative of the people who will be returned by the votes of the people. It is perfectly clear that His Excellency the Governor General will not be returned by any votes, he will not represent anyone, he will be the representative of the State. I would ask the House to consider this position, whether this small amendment, only to base the whole Act on democratic principles, is compatible

[**Mr. Muhammad Azhar Ali.**]

with reason, or is it compatible with reason that autocratic powers should be given to one who does not come by election. I ask, why should the powers not be given to one to advise only, who represents the teeming millions of the country? The amendment is a very small one, striving towards democratic ideal which every one in this House—I do not mean nominated Members, I mean the elected Members who have to go to their constituencies—I presume, desires. If my Honourable friends do not vote for this amendment, they deny themselves the right to be elected by their constituencies and they really deny the principle that they are representing a democratic country. I consider that the honour of this country is involved in this amendment of Mr. Mitra. If you do not agree with me that the great principle involved is that the man who represents the teeming millions of India should be the future Finance Member, then I do not know how you can call the next Constitution as one based on democratic principles. By defeating today the amendment of Mr. Mitra, you show to the world that you are yourself not of the democratic mind, but you want to be dictated to by an autocrat, whether it be in India or the Secretary of State or from the London merchants. So far as I have been able to read in the papers today, I find another argument is presented before the House, that this Bill should be a businesslike Bill. If you leave it to one man, will that be businesslike? I submit that this House wishes that in the future Constitution the best adviser, on whom the country shall rely and on whose advice very often the Government of India will have to base their financial policy, shall be the Finance Member. So far as the monetary policy is concerned, the Finance Member should have the uppermost voice. It is only on business principle that we want it. Although there are other advisers of His Excellency the Governor General, such as the Political Secretary or the Commerce Member or even the Law Member, they will not be acting on the principles of business, but it is only the Finance Member who will be acting on business principles. The only object of this amendment is business. I say it vehemently that the Finance Member in the future Constitution shall be the only man on whom, so far as the business side of India is concerned, the Government will have to rely, and even today what do we find? It is to the Finance Member that we look forward when business questions come up. You can very well see that if this amendment is not passed, it would really amount to this that the whole administration of finance of India will not be carried on business principles. There is also a misapprehension, I should say a mischievous misapprehension that if any matter is raised on democratic principles, it is said that you doubt the honesty of such and such a person and that you doubt the ability of the Governor General. It is not so. We do not doubt the capacity of the Governor General, but we want to strengthen the hands of the Governor General by that businesslike advice of the future Finance Member which is the governing principle of sound finance. With these words, I support the amendment.

**Mr. B. R. Puri** (West Punjab: Non-Muhammadan): To borrow a phrase from the admirable speech, delivered the other day, by Raja Bahadur Krishnamachariar. I am also another "man-in-the-street". So far as the present Bill is concerned, I find myself more or less in the unhappy position of the elderly lady who, when told by the commander of the ship that they would soon be crossing the equator, said: "Oh! how lovely. Now, I have heard so much about the equator. Mary,

would you please run down to my cabin and get my opera glasses". Sir, most of us, so far as some of the complicated problems connected with the present Bill are concerned, are no better than this good lady. There are, however, certain aspects of the Bill which even humble lawyers are able to follow; and the question involved in the present amendment is certainly one which is of that description.

Sir, this Reserve Bank reminds me of a little incident which once happened to myself. Having met an old friend after a long time who was not looking very cheerful, I said: "Hallo, what's the matter with you? You are not looking very fit". He said: "Don't you know, I am suffering from matrimonial dyspepsia". "Matrimonial dyspepsia?" I said, "what is that?" "Don't you know? It is a well known malady." He said, "It means that my wife does not agree with me." (Laughter.) Sir, we are suffering from "banking dyspepsia", this Bank does not agree with us. (Laughter.)

So far as the present amendment is concerned, the question is very simple. If we for a moment turn our attention to the controversy raised during the Select Committee proceedings regarding this Adaptation clause, and consider the reply of the Secretary of State as to what he intends to accomplish by this innocent Adaptation clause, it would serve as an index to judge the *bona fides* of the framers of this Bill and should be an eye opener to this House.

Sir, so far as the creation of a Reserve Bank is concerned, a very interesting situation is created, and, to put it bluntly, it comes to this. The British people say: "You have been clamouring for a long time for a new Constitution. You will get it; but to this new Constitution there is a condition precedent. No new Constitution can be brought into existence without there first being a Reserve Bank. That is an absolutely indispensable condition. Therefore, before you could legitimately ask us to grant you a new Constitution you must bring us a Reserve Bank." Very good, so far it is quite all right. But, then, the British Government lay down the next condition and say: "But this Reserve Bank must not be any sort of a Reserve Bank that you might choose to make. We want a Reserve Bank of a particular type. Mind, don't you introduce anything about the ratio therein, because if you do, we shall not accept such a Bank at all. Again, don't say anything about a State Bank, because we sha'n't have it, we want a Reserve Bank of a special description and of a prescribed character. When you bring that to us, then, on the foundation of that Reserve Bank, we will put up the superstructure of the Constitution. But when that superstructure has been built upon it, mind you, you cannot be permitted thereafter to dig up the foundation and try to take any loose brick and substitute another. You will not be permitted to do that." That, no doubt, sounds a very logical position. But let us examine it closely.

I remember, many years ago in the Crystal Palace show one of the side attractions provided was what used to be described as a "*maze*". A certain part of the lawns had been set apart with beautiful hedging all round about six feet high and this hedging went in and out intersecting and crossing each other with open spaces left in between and footpaths all over within the hedging. People went in by paying so much, but once you go in you can never come out. You could see over the hedging your friends watching your plight from outside. You went round and round, backwards, forwards and sideways in order to get out, but could never do

[Mr. B. R. Puri.]

it until the manager came to your rescue and helped you out. Sir, this Bill is a "*politico-legislative maze*". We are asked by the patentee (the Secretary of State),—through his local agent, our Honourable friend, Sir George Schuster,—to step in; we are asked to walk into this legislative trap, but I warn you, once you go in, there would be no getting out, unless the patentee were to take pity on you owing to your self-imposed helplessness. That is the position into which we are about to be placed or rather place ourselves, and I want my Honourable friends all round to realise the situation. We are told that the life of this Bill will be twenty-five years, or as long as a generation would last. In addition to this, we are told that if, hereafter, we discover that there has been some flaw in the initial formation of this Bill, no modification, no alteration, no amendment, no repeal, no improvement of any kind or sort can be introduced, at our instance. We will hereafter, thanks to the proposed Adaptation clause, be at the mercy of the "Governor General at his discretion", unfettered by the advice of any other human being, we will be at the mercy of the Secretary of State, or that of the British Parliament. We are the Legislative body who are bringing this Bill into existence: we are creating it: according to all rules of legislation a body that can make laws can also unmake them, can improve them, can modify them; but, under the Adaptation clause, that power is going to be taken away from us for all practical purposes. Why? Because precious and valuable concessions and safeguards have been secured or intended to be secured by means of the present legislation, and no attempt hereafter, on the part of this House or any of our successors, will be tolerated to bring about any change effecting such safeguards, etc.

Sir, the question can be looked at from another point of view. Suppose a servant were to approach his master and say: "I have served you through thick and thin, through peace and war: I feel that I am eligible for some sort of a gift from you. May I ask you for a new coat?" And suppose the master were to reply: "By all means I will let you have a new coat, but will you go and buy the material and bring it to me?" Assuming that it still remains a gift—suppose the master were to insist that the material should be of a particular quality and of a particular length: I will ask the House to compare this with the Reserve Bank Bill and note the analogy. After we take the cloth of prescribed quality and length to the great master tailor (the Secretary of State), he cuts the piece—the latest English cut no doubt—sews it up and returns it back to us and says: "Here is your coat". This coat, Sir, is our new Constitution. Should we hereafter complain that the coat is not warm enough, the Secretary of State would say: "You yourself chose the material." Should we say after a year that we have outgrown and that the thing is much too tight, he would say: "You were responsible for the length." At every future step we will be reminded that we had sealed our own fate and that we have no right to complain that the coat (Constitution) is not warm enough or long enough or loose enough. This, Sir, is the situation that we have got to face. I submit that that is most sinful for the British Government to force us into such a position: we are told: "You cannot have any Constitution unless you first pass this measure." At the point of bayonet, we are being made to pass this Bill. Even if we pass this measure according to your wishes in the first instance, surely it is but just and fair that if, hereafter, we discover some flaw in its working, we should have the power to amend it and that such power should not be curtailed by

being made subject to the arbitrary discretion of the Governor General. If this is not conceded, it will show that there is something wrong in the British Government's design.

I will not detain the House beyond reiterating that, according to all rules of jurisprudence, if we are the body who bring into existence this law, it should be our right to amend it hereafter, if we find that a good case has been made out for it. But, as it is, we shall be precluded, practically precluded, from exercising any such privilege owing to certain insurmountable difficulties which are intended to be placed in our way.

Sir, my Honourable friend, Mr. Neogy, the Leader of my Party, touched upon another aspect of this question. He asked, why, instead of asking us to pass this measure, which we do not believe is in our best interests, the British people themselves do not pass it as part of the Constitution itself. They have got the power, they do not need the previous assent or consent of anybody, they can make it part and parcel of the Constitution itself. Sir, the reply to that, I think, is obvious. The British Government are making us play the part of political simpletons; by passing this Bill we are taking the odium upon our own shoulders, an odium which will prevent us, which will preclude us hereafter from objecting to anything embodied in this Bill. Once we are a party to this measure, conferring powers which will be converted into autocratic powers in the hands of one man, we shall have absolutely no justification hereafter for asserting that the measure is in any way unsuitable to the needs of our country. Sir, it is to place us in the wrong, and to take advantage of our dependent and helpless position, that this Bill has been entrusted to us, and I would beg of all my colleagues that they should realise their responsibility in this matter. If they at all pass this Bill, they should make it an absolute condition that these powers are not placed in the hands of any one individual, may he be the Governor General or even higher.

**Mr. Jagan Nath Aggarwal** (Jullundur Division - Non-Muhammadan): Sir, it would be well to consider the underlying point of this amendment moved by my friend, Mr. S. C. Mitra. The phrase "Governor General with the advice of the Finance Minister" means in ordinary parliamentary procedure that everything done under this power would be a matter which could be discussed in the Legislature and to which the Finance Minister would be responsible. In other words, whatever advice is given to the Governor General by the Finance Minister, he would stand or fall by it; it would be a matter which could be discussed here, and his action would come within the competence of this Legislature, in other words, it would be an action of a responsible Minister. By this phrase we seek to hold the power which is exercised by the Governor General in Council under various clauses of this Bill, which, we have been told, occurs in it no less than 92 times, as the action of the Minister who would be responsible to the Legislature and therein bring in an element of responsibility. The need for it is obvious. One would have thought at this time, when responsibility is being talked of on all sides, this aspect of the question would be conceded, but there is a story behind it, and I would be pardoned for drawing the attention of the House after reference has been made by previous speakers to it, and this is my justification for speaking on this amendment. Sir, the House will remember that in the White Paper proposals we have section 119 which lays down that any Act relating to currency or coinage or relating to the Reserve Bank cannot be altered except with the consent of the Governor

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General given at his discretion. I would read the very words leaving out the unimportant ones:

"The consent of the Governor General given at his discretion will be required to the introduction in the Federal Legislature of legislation which affects coinage and currency or the powers and duties of the Federal Reserve Bank in relation to the management of currency and exchange."

The important words which this House should notice are "the consent of the Governor General given at his discretion". If, then, the Governor General gives consent at his discretion, there is no means of getting at him, there is no means of discussing him or his doing anything at all. It would be an autocratic rule. I am fortified in that interpretation by what is contained in paragraph 20 of the White Paper proposals. That paragraph lays down:

"That the Governor General, in administering the department under his own direction and control and in exercising any discretion vested in him by the Constitution Act, will act in accordance with such directions, if any, not being directions inconsistent with anything in his instructions as may be given to him by a principal Secretary of State."

Now, Sir, that shows that the centre of gravity has shifted. One can understand the Governor General at his discretion giving us an autocratic decision, it may be sometimes this side, sometimes that side, but this provision tells us that the "Governor General at his discretion" would mean the command of the Secretary of State, because he has to follow the directions of the Secretary of State who is one of His Majesty's principal Secretaries of State. It does not mean only following any directions, it means obeying the commands. Now, let us push it a little further. Following the directions of the Secretary of State means watching the interests of the City of London and of the British people. (Hear, hear.) In plain phraseology, what does it mean? It means this, that once this Act is enacted, it cannot be altered unless the British Parliament and the Secretary of State are agreeable to it, and powers which are conferred on the Governor General in Council will in future be powers which can only be exercised by the Governor General subject to the orders of the Secretary of State. Now, Sir, that is a position, if I may say so, hardly consistent with the Constitution which we are envisaging or the Constitution we are expecting. So far as that is concerned, one might almost feel that we are like a constituent Assembly at this time. One of the essential things for bringing the Federation into existence is that we must pass this Reserve Bank Bill, and, by passing this Reserve Bank Bill, it immediately acquires the character of fixity, of unalterability, except by a Statute of the Imperial Parliament. It becomes, so to say, a part of the Constitution Act itself, and we cannot alter that Act any more than we can alter the Act of the Imperial Parliament. Therefore, so far as that is concerned, by enacting this measure we must feel from the juristic point of view, as if we were exercising one of those superior powers which ordinarily is not our lot. Because, once we pass it, we cannot alter it except with the leave of the Governor General given at his discretion. Now, Sir, if that is so, it becomes a very important matter for us to consider seriously whether we are to leave this matter to the Governor General and the Secretary of State between themselves or we are to leave these powers to the Governor General on the advice of his responsible Ministers. Sir, currency and exchange are important matters affecting the life of the people and the industrial and

financial interests of every citizen in this land, and it appears rather anomalous, it appears very strange that at this time of the day it is thought that that power should be taken away from the Indian Legislature. The House will notice, Sir, that this is in a way a retrograde measure. All the time we have enjoyed the power of legislating with regard to currency and banks, and so on, and it is a remnant of that power that we are at the present moment meeting to bring a Reserve Bank into existence, but, thereafter, if we want to do anything, we must go to the Governor General at his discretion and to the Secretary of State and obtain the assent of the Secretary of State before we can do anything in the matter. Now, Sir, that was a matter which was agitated by the Minority Report of the Select Committee. This is what they say at pages 19 and 22 of their Report. On page 19, Sardar Sant Singh, in his note, pointed out that the Secretary of State was taking the view that the Indian Legislature at some future time could not alter the Reserve Bank Act. The Reserve Bank Act would not be open to amendment by the Indian Legislature at some future time. On that the Finance Member was pleased to issue what is called an assurance, but which comes only to this that the Reserve Bank Act will become a part of the Constitution, and, like other provisions of the Constitution, it would be unalterable except with the consent of the Governor General given at his discretion, and that consent would mean the consent—under the orders of the Secretary of State. That Adaptation clause put in plain language means nothing more than what we have in the White Paper that the Governor General's consent at his discretion would mean subject to the orders of the Secretary of State. On that, we have it at page 20 of this Report and also page 22, several Members of the Select Committee felt entirely dissatisfied, and, if I may say so with great respect, the position is left where it was. The assurance given by the Honourable Member means nothing more than this that this Bill, once you have passed it, will be unalterable by you except with the consent of the Secretary of State, and the point made by the Select Committee remains where it was. If that is so, this House should ponder and think furiously on a matter of this kind. The position would then appear to be that so far as this subject is concerned, the question of the Reserve Bank with which the question of ratio and credit are intimately connected,—we are, after this legislation is passed, going to lose the power unless the Governor General and the Secretary of State are pleased to give it back to us, unless they allow us to bring any legislation on the subject, we will not have power to legislate. That is a matter as regards which we might just look into the future a little bit. As the scheme of the White Paper has it, we will have in the future Executive Government not only a Finance Minister like my Honourable friend over there, but we will also have a Financial Adviser. This question of Financial Adviser is also an important matter. On this subject we had some interesting questions put to the Secretary of State as to what status this Financial Adviser would occupy. If I may say so, he would be a kind of super-minister. He would be a person who would be in no way answerable to this Chamber; he would be a person whose acts you could in no way discuss here; he would be an adviser to the Governor General whose salary would not be voted by you and whose responsibility will be to the Governor General alone. He would be outside you, and, if I may say so, above you. On a point like this, naturally questions were put to the Secretary of State, and, with your leave, I venture to reproduce some interesting extracts which show that he would be another powerful personality over and above us in matters financial and relating to currency and credit. I am reading from page 328 of the Memorandum of the Secretary of State's evidence

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before the Joint Committee, Part I (11th to 28th July 1933). The Marquess of Zetland put the question:

"The question is with regard to the financial adviser. The first question I would like to ask is, what type of person is contemplated for filling the office of Financial Adviser? I presume that it will be a financial expert whose judgment on questions of high finance would be regarded generally as authoritative. Is that so?"—"Yes."

"Has the Secretary of State got in mind an official of any kind?"

That would be a sort of super-man!

"I certainly could not say I have any particular person in mind, but I agree with Lord Zetland, the Financial Adviser must be a person of considerable standing and considerable expert financial knowledge."

"In regard to his functions, I am not quite sure exactly what his functions are going to be. Will he have an office, and, if so, will his office be an integral part of the Finance Department of Government?"—"He must obviously have what staff and office accommodation he requires. It will not be a part of the Finance Department to this extent that the Financial Adviser will be responsible to the Governor General, and the cost of his staff, whatever it may be, will be a non-votable item. At the same time, I should hope that he would work in close relation with the Finance Minister and with the Finance Department."

"Yes, clearly if his advice to the Governor General is to be of any value, I presume he must be familiar with what is going on from day to day in the Finance Department of Government, must he not?"—"Certainly."

**Mr. K. C. Neogy:** He will be a super-spy!

**Mr. Jagan Nath Aggarwal:**

"But, as I understand it, his services are to be at the disposal, not only of the Governor General, but of the Minister?"—"Certainly."

"So that the position, as I picture it, is this, but I do not know whether I am absolutely accurate. I picture an official of high position with an office in the Finance Department of Government who will be kept familiar with all that is proceeding in the Finance Department of Government, who will be available to the Ministers if they wish to consult him upon any financial questions, and whose duty it will be, if he thinks that the Government are contemplating anything which will touch upon the special responsibility of the Governor General in matters of finance, at once to bring that matter to the Governor General's notice."

That, Sir, is the important function that he will exercise, a watchdog to see that nobody trenches upon the special responsibilities of the Governor General:

"Is that, broadly speaking, what his position will be?"—"Yes, broadly speaking, that is what his position would be."

Coming back to my point, I was putting it to the House that in the future Constitution—and, as we have been told, we are legislating not for the immediate present, but for the future—in the distant future, if our position is going to be that, if we are to have all the special responsibilities of the Governor General and the Financial Adviser who would be in this position of super-authority over the Ministers and over the Legislature and if we are going to have a Bill which is unalterable in any manner, then we are put in that unfortunate position that, after having passed this Bill and having conferred all conceivable powers in this shareholders' scheme, not on the shareholder, but on the Governor General in Council who would be subsequently Governor General at his

discretion,—I do not know then where we come in at all. I suppose we are meant for paying taxes and to come and discuss their allocation in an academic spirit, but so far as currency and exchange and credit and the Reserve Bank are concerned, we have said the final word when we have passed this measure. I submit that this is tying up of our hands, and that this is a position which we cannot contemplate with equanimity. It is much better that somebody else passed this measure, to suit us or to suit the Constitution; but if we are asked to pass this measure, certainly we would not like to confer these powers on outside authorities over whose actions we may not have the slightest power of control, not only control but even of discussion. Therefore, from one point of view this amendment comes in very handy indeed. The merit of this amendment, as I have pointed out, is that what is going to be according to the scheme which we can foresee, an absolute power in the hands of the Governor General, very probably to be controlled by outside agencies, would according to this amendment be a power to be exercised by the Governor General with the advice of his Minister whose actions will be discussable in this House and who would be one of us, the whole point of the amendment being that whatever is done on an important matter like this should be open to discussion in the House and that he should be answerable for it. If that is not acceptable, I do not see what is the underlying principle of all the constitutional advance that has been talked of during the last seven years or so. I, therefore, support with all the power at my command this amendment moved by Mr. Mitra. (Applause.)

**Sir Cowasji Jehangir:** Sir, the amendment moved by my Honourable friend may well be called Mitra's Adaptation Clause. There is a moral to be drawn from this amendment and the discussion that has taken place on this amendment up till now, a moral which I really and sincerely wish the authorities in England were on the opposite Benches to learn. The moral is that such amendments and such discussions as we have heard up till now are the result of an irresponsible Government. If there was a responsible Government on the opposite Benches, it would have been practically impossible for any sane Member of this House to have moved such an amendment and for men of the experience and standing of Honourable friends, who have just spoken, to have supported it or to have put forward arguments of the kind they have.

**The Honourable Sir Brojendra Mitter:** Do you support them?

**Sir Cowasji Jehangir:** You asked us to wait and see. I will ask you to wait and see. This question has been so often discussed at the Round Table Conferences—namely, the previous sanction of the Governor General at his discretion to amendments to the Act in the future, but there is one error into which some of us seem to have fallen and that is that we under this Bill are giving these powers to the Governor General. We are not doing it under this Bill. The powers that we complain of, which are to be given to the Governor General in the future, is not any of our work. It is the work or will be the work of the House of Commons and how are we or any of us responsible for perhaps what I may legitimately call this unconstitutional and exceptional provision. My friend over there said that by passing this Bill we shall be responsible for handing over all these powers to the Governor General. That is not correct. There is not a

[Sir Cowasji Jehangir.]

single clause in this Bill which gives these powers to the Governor General at his discretion.

**Mr. B. R. Puri:** Unless you safeguard your interest by means of the present amendment, you would be impliedly giving powers.

**Sir Cowasji Jehangir:** I will come to that. Therefore, I do desire to clear this issue that it is not we who are doing it and, as a matter of fact, there is no clause in this Bill under which we can discuss this question of the previous sanction of the Governor General which will be one of the issues raised in the House of Commons and which will be decided there but as I said yesterday, it is impossible for this side of the House to forget that this has been the decision of Government at the three Round Table Conferences and it is more than likely that it will be accepted by the Select Committee and the House of Commons. I gave this House to the best of my ability all the information that was available about the history of this question. We fought against it as strongly as we could, because we foresaw the difficulties that would arise in India and, much more than that, because we felt that such a provision was not necessary. Not only was it not necessary for the Viceroy or the Government, even to protect British interests, because the Viceroy at his discretion under any circumstances has the right to veto any Bill even after it has been passed by this Legislature and, in order to make our friends realise what the position was, we pointed out to the Secretary of State that this provision will react on the head of the Viceroy in the future and, even if he be a superman, the Secretary of State and the House of Commons would be placing him in a most awkward position and in practice it was possible that the Viceroy would not be able to exercise his powers at all and would have to rely upon his powers of veto. I do not desire to go any further into this question. I could give some further details and some further arguments that we did put up, but it will be waste of time.

Now, my Honourable friend, Mr. Mitra, believes this amendment will in some way go to meet our strong objections to what is to come in the Constitution Act in the future. He believes this amendment will in some way or another help us in the future to get over the difficulties that our future Finance Minister may meet with owing to this previous sanction, but I am at a loss to understand how this amendment is going to help us in the very least and I will put it to him and I will leave him to be the judge after I have finished as to how far this amendment is going to help us. He says, wherever there are the words "Governor General in Council", substitute the words "Governor General acting on the advice of his Finance Minister". Suppose we accept it whether it is in order or not, what will be the effect? The effect will be that until the reforms come into force, you will be depriving your Indian Members on the opposite Benches of any voice in connection with the Reserve Bank Act. I will only say that, as an Indian, it is my duty to have the fullest confidence in the Indian Members on the opposite side. We may disagree with them sometimes, but it is an honour to us that they should be there and I would be the last man to deprive them of an iota of power which they now possess and, therefore, this amendment merely goes to deprive the three Indian Members of Government . . . .

**Mr. S. C. Mitra:** This Act is not coming into force now.

**Sir Cowasji Jehangir:** I will come to that. We are depriving our three Honourable Indian Members and perhaps also the Home Member and Sir Frank Noyce of having any voice in the matter during the short period of time that must elapse between this Act coming into force and the new reforms coming into force. It may be one year, it may be a

4 p.m. year and a half, I do not know how long it is going to be.

Now, after the reforms come into force, how are these words going to help us? They will be substituted by the Adaptation clause by the words "Governor General at his discretion". That is the point. It makes no difference what you put in the Bill just now. The House of Commons, by the Adaptation clause, will, for the words "Governor General in Council" in as many places as it chooses—it may be 96 or 84—substitute the words "Governor General at his discretion". Therefore, what are you gaining by this amendment? You are gaining one thing, and you have gained that, and that is the moral that is to be drawn from this discussion; and I do hope that the Honourable Members, if they have not learnt that moral already, will learn it now and will convey to the authorities in England this moral once again, that, if you continue to have this irresponsible government, you must be prepared to have such amendments and such discussions and such speeches as you have heard today. I for one, Mr. President, would have wished to have believed that it was impossible to hear such speeches, but although I was laughing, although I smiled, believe me, I might as well have wept, for, after all, we are a responsible Legislature, and when we come to think that we have been brought to such a pass as to have to move amendments of this kind in our attempts to get out of accepting a most objectionable provision. Sir, I tried my best to explain yesterday how it will be worked and what hopes we still may cherish and I may repeat again that, whatever the Constitution may be, you have to rely, and all your hopes must be founded, upon your future Indian Government, upon its honesty of purpose, upon its patriotism and, above all, upon every individual Member's ability to stand up for his own rights, the rights of his colleagues and the rights of this Honourable House. That is the bedrock of our hopes, that is the only anchor on which we have to rely; and if, with the help of Providence, we get such a Ministry, I for one would have no objection to the House of Commons adding another few dozen safeguards. As to this amendment itself as it stands, it is as futile as it will be for us to try, in this Bill, to reduce the 1s. 6d. ratio—just as futile; and, therefore, I would request my Honourable friend to withdraw his amendment for one simple reason and that is that the object which he seeks to achieve will never be achieved by this amendment or by any amendment moved in this House. If he desired to give my Honourable friends, Mr. Puri and Mr. Aggarwal, chances of expressing their opinions, he has had his opportunity, and I do hope that if the Honourable Members opposite have realised now, what possibly they may not have realised for the number of years they have sat opposite, the futility of continuing the present Constitution a day longer than is absolutely necessary, then I trust that this amendment and this debate have served their purpose. (Applause.)

**Mr. Gaya Prasad Singh:** Sir, the amendment under discussion crystallises into shape the feeling which has been aroused in the country as a result of the evidence of Sir Samuel Hoare, the Secretary of State for India, on this point. The question came up for consideration in the Joint

[Mr. Gaya Prasad Singh.]

Committee of both Houses of the Indian Legislature which submitted its report on the Bill and of which Committee I had also the honour of being a member. I raised the point as to whether it would be competent for any Member of the Federal Assembly, later on, to move any amendment to this Bill. The reply which I received was that under the present Constitution the procedure is what it is as regards the power of allowing or disallowing any amendment to an Act passed by this House; but, under the future Constitution, there will be an Adaptation clause which will have to be incorporated in the scheme of Constitutional Reforms, and, under that Adaptation clause, the "Governor General in Council" will mean in certain matters the "Governor General at his discretion". Sir, I was somewhat amused to hear my Honourable friend, Sir Cowasji Jehangir, paying very handsome compliments to the Indian Members who sat on the Viceroy's Executive Council. I quite agree with him. Sir, individually I have got the highest respect for them, but they being a part of the machinery which is at present working in this country, I venture to say that they are helpless. Sir, in this connection. . . .

**Sir Cowasji Jehangir:** May I point out to my Honourable friend that the whole of the Honourable Benches opposite are mere agents. They are not the Government of India at all. Why pick out the Indian Members alone? There is no reason to pick out the Indian Members. Both the Indian and the European Members, under the present Constitution, are nothing more than pure agents of the Secretary of State. (Hear, hear.)

**Mr. Gaya Prasad Singh:** Sir, the feelings of suspicion have been aroused by reason of the statement of my friends, Sir Cowasji Jehangir, Diwan Bahadur Mudaliar and others, in the London Committee's Report that the Board should be "nominated by the Governor General in Council under the present Constitution and by the Governor General at his discretion under the new Constitution". Sir, what does this mean if it does not mean an absolute distrust of the Ministry which will take charge of the Government in later years? I am ashamed to find that Honourable Members, who have had the benefit of a pleasure trip to England, should have appended their signatures to a document in which they have themselves admitted in so many words that they have no faith in the Indian Ministry which is supposed to come into power a few years later. Sir, with regard to that point, I may just make one little reference. Reading the report of the London Committee, I find that the name of the Deputy Chairman of this Committee has been given. I should like to know from my Honourable friend, the Government Member or any Member who may have the information at his disposal as to who was the Chairman of this London Committee. (*Voice*: "The Secretary of State.") Sir, the Secretary of State was the Chairman of the Committee, but he has not appended his signature to the Report which is placed before us. I noted the other day that my friend, the Honourable Diwan Bahadur Ramaswami Mudaliar, somewhat harshly and unnecessarily castigated the members of the Minority Report who had ventured to put in some suggestions which were not accepted by the Government Members in the Select Committee of this Bill. There is a saying in Bengali which, when translated, means that the heat of the sun is bearable, but not the heat of the sands which are heated by the sun. My Honourable friend, the Finance Member, was

generous enough to acknowledge with gratitude the assistance which the non-official Members of the Joint Select Committee were able to give in the work of the Committee. Our thanks are due to him. I do not claim any large part in that praise, because I am conscious of the very modest contribution which I was able to make in those deliberations. But my Honourable friend, Diwan Bahadur Ramaswami Mudaliar, for some mysterious reason was unsparing in his lashes with regard to certain recommendations of the minority in the Joint Select Committee which were unacceptable to the Honourable the Finance Member and the Government. Now, Sir, I quite realise that this amendment, which my Honourable friend seeks to incorporate, is not a very effective remedy for the ill which is sought to be cured, but, as I have already pointed out, it crystallizes the feeling of suspicion which lies in our mind with regard to the designs of the Secretary of State or of the British Government as regards the fate of any amending Bill which might be brought forward later on for amending certain provisions of this Bill after it is passed into law. For instance, clauses 40 and 41 seek to uphold the ratio at a level which is very harmful to the country as a whole. Now, if, under the new Constitution, the Members of the Federal Legislature are to be precluded from introducing any amendment, it will be impossible for us to seek with certainty as to what will be the best means of accomplishing the object of the Reserve Bank in the new order of things in the interest of the country. On reading the report of the Secretary of State's evidence at the Joint Parliamentary Committee in London, some of us addressed a letter to the Honourable the Finance Member who was the Chairman of our Committee. The evidence of the Secretary of State on this point before the Joint Parliamentary Committee is as follows:

"We are asking the Indian Legislature by its own legislation to carry out arrangements that we say are essential for bringing the Constitution into being. Obviously if that arrangement is to take effect it cannot be possible for the Indian Legislature at some future time to alter the conditions without which the Constitution would not have come into operation without the previous assent."

As the House knows, the Honourable the Finance Member as the Chairman issued a communiqué on the 31st October, 1933. I am not going to tire the patience of the House by reading out the whole of this communiqué, but I will read out just a few lines from it:

"The Constitution Act will have to contain an Adaptation clause laying down how, when the Constitutional changes at the Centre take place, the powers to be exercised by the Governor General in Council under the Reserve Bank Act will have to be exercised in the new Constitution. If the British Government's proposals for the Constitution are accepted by the Joint Select Committee and if the Constitution Act in the Adaptation clause were to declare that certain powers exercisable by the Governor General in Council under the Reserve Bank Act were to be exercised in future by the Governor General at his discretion, and if, in future, it were desired by agreement that any particular power or powers thus provided for should be exercised by the Governor General on the advice of his Ministers and not at his discretion, then legislation giving effect to this would be an amendment of the Constitution Act and not of the Reserve Bank Act and could be undertaken by no other authority than the British Parliament unless the Constitution Act itself provided for this contingency. The question is now being considered whether such a provision can be included in the Constitution Act, and that is the point of doubt to which the Secretary of State was referring in his replies."

This point of doubt has not up to the moment been clear, so far as I know, and it is because of that that my friend, Mr. Mitra, has tabled this amendment. We want to know definitely from the Honourable the

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Finance Member whether, under the new Constitution, the Governor General in Council will mean the Governor General at his discretion or the Governor General acting under the advice of his Ministers, so far as this legislation is concerned. Under these circumstances, it is quite necessary for this House to be assured on this point before giving a sort of *carte blanche* to the Government to incorporate whatever meaning they like to incorporate at some future date in the new Constitution. With these few words, I support the amendment of my friend, Mr. Mitra.

**Diwan Bahadur A. Ramaswami Mudaliar:** Mr. President, I do not wish to import unnecessary heat into a discussion of this very simple amendment. I think my Honourable friend, Mr. Gaya Prasad Singh, will realise on a little mature reflection that it is easy to make aspersions against any person and that it may not be the right thing after all to make such aspersions. One may be guilty of much more injustice and be unfair even more to one's own self than to the person he is attacking and whose motives and honesty of purpose he may be criticising. I do not stand in need of any defence of myself. But I would like to tell my friend something of what happened at these London meetings. I am not going into the details of this question. Whether it was a free trip or for the satisfaction of having a sea voyage and enjoying the salubrious climate, some Honourable Members of this House did go. It may be also possible that many other Honourable Members would have been quite willing to go if they had the chance. Now, Sir, what happens in a Committee? My Honourable friend has been a member of a Committee. It is not always possible for us to carry out our own points of view. It may not be possible, however strongly you may feel on the question, to carry the Committee with you. You may have to differ. There are two courses open to you. You may put your dissenting note, you may publish to the world that you have differed on a particular point, that your rectitude of purpose has been so great and so well-defined that for no consideration whatever can you have a compromise. But you must also realise that there is something on the other side of the case and that, while you are not converted, you may still not be in a position to go to the furthest extreme of sticking to your own position and having it published. My Honourable friend flourished in my face, I am thankful to Providence that I am so far removed from him physically, he flourished in my face the report of the Committee where the recommendation was made that the nomination should be by the Governor General at his discretion of a certain number of Directors. I do not want to say what attitude I took up on that question, whether I was in favour of that, or whether I was in favour of the Federal Ministry nominating; but I will certainly put forward two points of view that were raised and I think I am fair in doing that. One section said and very strongly that it was an absurdity to give this power to the Governor General at his discretion, that the Federal Ministry should nominate these four members, that there were numerous precedents for such a course, that neither the phrase 'political influence' nor any other theory with reference to the Reserve Bank constitution would be affected by that phrase and that, therefore, this nomination should be in the hands of the Federal Ministry of the future and the Governor General in Council of the present. Another section equally vehemently, equally with stentorian voice, equally with a determination that was unconquerable, said:

"I do not trust any man who is an Indian whatever office he may hold in my own country. I do not trust any Indian member of this Government. I do not trust

any Indian Minister, whosoever he may be, he may be a State Member representing a Ministry in the future Federal Ministry, he may be a Member of British India, he may be a Hindu, he may be a Muslim, he may be a Christian, but so long as he is an Indian, I do not trust him in this matter. "This power is a vital power."

**Mr. D. K. Lahiri Chaudhury** (Bengal: Landholders): Who is that Member? Is he Mr. Yamin Khan?

**Mr. Muhammad Yamin Khan** (Agra Division: Muhammadan Rural): If my friend wants what I said, I will tell him.

**Diwan Bahadur A. Ramaswami Mudaliar:** That Member further said:

"This power is a power which concerns the various interests and the various communities, and I am not prepared to give this power or to place this power in the hands of any single Indian howsoever high he may be. I have no trust with reference to these matters in the present Indian Members of Government or any Member of Government, Indian or European for that matter."

To be fair to the point of view of those who put forward this view, with so much vehemence, they said:

"We have no trust in any member of the Government today whether, European or Indian."

I also remember a remark that was made:

"Not even in Sir George Schuster?".

The reply was:

"No, not even in Sir George Schuster"

and Sir George Schuster was sitting in that London Committee at the time.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Order, order. The Chair thinks that Committee work of any kind, whether it is in India or in England, will become an absolute impossibility if everything that was said in the Committee, in the course of argument and consideration, were to be dragged out on the floor of the House. For the sake of carrying on the public administration on healthy lines, the Chair would very strongly deprecate the attempt on the part of Honourable Members to give elaborate explanations of details that took place in a Committee, especially details relating to discussions in camera. Honourable Members who have been signatories to a Committee's report must justify their signatures on argument and not on the discussion that took place in the Committee and the Chair hopes that the House will remember this in future discussions because we have had too much of this practice of divulging the proceedings of Committees.

**Diwan Bahadur A. Ramaswami Mudaliar:** I shall not pursue the matter further. The only reason why those who were against giving this power to the Governor General at his discretion was that they were influenced by the sort of arguments that I have been repeating now which were put forward. Another section thought that the lesser of the two evils was to give this power of nomination to the Governor General at his discretion. Now, Sir, I am in this difficult position. I am a signatory to this report. There are certain powers which are here proposed to

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be given to the Governor General at his discretion. There are certain powers which are proposed to be given to the Governor General in Council. I do not know what the Adaptation clause, which is proposed by the Secretary of State is going to be. If I were assured by the Finance Member that those agreements or promises, which are embodied in the London Committee report, are going to be honoured and that nothing beyond that will be done by the Adaptation clause, I should consider myself bound to oppose my friend, Mr. Mitra's amendment or not. It may be asked: "You were a party to this report, you have put your signature, you have there recognised that there are two classes of powers: these powers which are to be exercised by the Governor General in Council and those powers which can be exercised by the Governor General at his discretion". To the extent that I have been a party to these agreements in whatsoever circumstances, whether I was right or whether I was wrong, whether I was compelled by the sort of circumstances that I narrated now or whether I was compelled to agree on the merits of the question, I am willing to bind myself to that and to honour that agreement. But, before my Honourable friend, the Finance Member, could ask me to do so, I am only anticipating a little, I think it is fair that he should tell us whether these agreements are going to be incorporated in the Amendment Act. Is there any desire to go beyond this? Can the Honourable the Finance Member assure the House that the Secretary of State means to honour this amendment, for, remember, Sir, the Secretary of State's deliberations on the London Committee report are not yet known to us. We know to what extent in this House and in the Select Committee they have approved or disapproved of these recommendations, what amendments have been made and how far they are prepared to go. But we do not know how far the Adaptation clause would go and it has not been made clear from the evidence of the Secretary of State before the Joint Parliamentary Committee. He has not gone into the details with reference to the amendments or the Adaptation clause that he proposes to introduce in Parliament and has not indicated how far the London agreements on vital questions have been accepted or not. Therefore, I am in the difficult position of not being able to say at present whether I could vote against this amendment.

There is another aspect which I should like to present to the House and which has already been dealt with by my Honourable friend, the Leader of our Party, Sir Cowasji Jehangir. It is perfectly true and Sir Cowasji Jehangir was stating the elementary fact that whatsoever device this House tries to substitute, one phrase for another, the Adaptation clause, which is going to be superimposed, can do its work. Therefore you cannot wriggle out of that position. At the same time, I think it is but fair for us to say that so long as we do not know what sort of Adaptation clause is going to be introduced, so long as we have no idea as some Members think—they are wrong in their assumption—that in the 92 places where the phrase "Governor General in Council" appears, the phrase "Governor General at his discretion" will be substituted,—but, we are not in a position to say so definitely, so long as we have not that information, I think this House will be stultifying itself, if it does not express its opinion, however futile it may be that it feels that in most of these matters, it should really be the Governor General on the advice of the Ministry. If we were to go as was done at the London Committee into those matters and if the Honourable the Finance Member can say, "these

are the half a dozen cases in which the Governor General at his discretion will interfere and these are the 86 cases in which the Governor General in Council will mean, the Federal Ministry or the future representative of the Ministers", I, for one, am perfectly willing to consider that on its merits and say if that is all the extent of the Adaptation clause and its interference or super-imposition on this Reserve Bank Bill, let us for the sake of compromise, for the sake of goodwill, for the sake of good feeling, help the Secretary of State who has got a very difficult task before Parliament and also satisfy ourselves that no more infringement of our power is meant to be made in this, as contemplated by these definite provisions. If my Honourable friend even now at this late stage—he was not in a position to do so at the Select Committee—even now at this late stage if he were in a position to get up and say, the Governor General at his discretion will be a phrase which will be substituted only in such and such clauses of this Bill, I, for one, would request my Honourable friend, Mr. Mitra, to withdraw his amendment. In the absence of any such assurance, notwithstanding the fact that I have been a signatory to this London Committee Report or, perhaps, because of it, and, because, I want to bring out more clearly and more emphatically the agreements which have been arrived at and the necessity for accepting that agreement and not going beyond it, I have no hesitation, in fact I have no option but to support the amendment.

**Mr. Bhuput Sing:** Sir, I also support the amendment of my Honourable friend, Mr. Mitra. Sir, I admit that we have heard enough on this point when the motion for consideration of the Bill was discussed for the last four days. I am glad that my friend, Diwan Bahadur Mudaliar, admitted the gravity of the danger in giving such an absolute and autocratic power to the Governor General who will in future be nothing but a puppet in the hands of the Great Mughal on the Whitehall *Cadi*. On the other hand, I appreciated the helpless position, as explained by Sir Cowasji, the Deputy Leader of the Independent Party and the Leader of the Opposition at the time, of those nominated Indians at the successive Round Table Conferences. It appeared from my Honourable friend's speech that the Indians protested against this power of the Governor General at every stage, but they were forced to accept this humiliating position at the bidding of the Whitehall despot and his associates from the City of London. Yesterday I heard Sir Cowasji informing us that though the Governor General may be vested with this power, yet the use of such powers much depends on the strength that may be shown by the Finance Minister backed by the Indian Legislature. He thought that the Governor General in such cases will not be able to use such powers, being afraid of a deadlock. He talked, as far as I remember, of the resignation of Ministers which he hoped will have a deterrent effect. But my misgivings are increased when I think of the experiences we have gained by now in the several provinces where Ministers have resigned owing to differences of opinion between them and the Governor. But what effect did it produce? None whatsoever. In the absence of joint responsibility of the Ministers, such individual resignations will have no effect in the future as it had none in the past. Further, he told us about the self-respect of such Ministers, which demands from them a resignation if they are compelled by the Governor General to have recourse to a certain policy against their conscience. Sir, if that is expected of the

[Mr. Bhuput Sing.]

Ministers, then, may I ask my friend, how many times these Round Tablers resigned when they were forced to accept the vesting of autocratic powers to the Governor General as far as this Bill is concerned and where was their self-respect about which my friend was speaking yesterday? As far as we can visualise, the responsibility that may be vested in the Legislature under the new Constitution will be more or less in the form of a dyarchy without giving the Cabinet any power of joint responsibility; and, that being so, I for one cannot see how the resignation of individual Finance Ministers can have any effect in curbing and checking the use of absolute powers by the Governor General. It is, I think, nothing but an Utopian ideal that my friend, Sir Cowasji, is dreaming about. I thought that Mahatma Gandhi and men of his type are the only idealists, but I am surprised to find that hard, matter of fact businessmen of the type of Sir Cowasji can also indulge in idealism.

Then, Sir, I listened to the Honourable the Finance Member's speech yesterday very carefully in the belief that probably he will enlighten this House on the point of the powers of the Governor General at the bidding of the Secretary of State and the British Cabinet or, in other words, at the bidding of the political party in power in the British Parliament. But, to my surprise, I heard him say, as far as I remember, as follows:

"It is true that Honourable Members may regard the Governor General of the future as a political individual and he will have to listen to what the Secretary of State asks him to do. But that is an entirely different kind of political influence from that which is the essential purpose of this measure to guard against."

Sir, I cannot understand for a moment why the political influence of the British Parliament is not to be guarded, but only the political influence of the Indian Legislature is to be guarded. It is nothing but a superiority complex of the Britishers that like the kings of old the British Parliament can do no wrong. The Finance Member tried to explain in some inexplicable manner that the political parties in the British Cabinet or Parliament, be they Socialists, Conservatives or the Churchill Group, are not political parties, but the parties in the Indian Legislatures or outside, like the Congressites, are all political parties from whom the Bank is to be guarded. We on this side of the House can never agree to allow only the Churchillian Group to have a voice in the Bank through the Governor General and not to allow the Jawaharlal Group the same amount of influence through the Indian Legislature. I think the interpretation of the words "political influence" is a very novel one and should be broadcasted throughout the world for others to learn or enjoy as the case may be. Though I cannot enter into the mind of the Honourable the Finance Member or the Whitehall despot, yet, I think, I will not be far from the truth when I say that the only political influence the Government are afraid of is that of the extreme wing of the Congress with their cult of absolute independence. Sir, if the Government are afraid of the extremist Indian political influence, I must admit that against that we Indians have got as much apprehensions about the political influence of the Churchillian Group with their cult of subjection of India at the point of the bayonet for the advantage of the Britishers. So long as the prospect of that influence is not withdrawn, we on this side of the House must press that the prospect of Indian political influence through the Indian Minister must be retained. The only way the political influence of both sides may be removed is by withdrawing all

powers of the Governor General to intervene and to provide a clause in the Bill by which the power of election, control and dismissal of the Central Board of Directors should be vested in the shareholders, unhampered and unfettered by the Governor General on the one hand, and the Finance Member and the Indian Legislature on the other. All initiation of amendments of the present Act must also be vested in such an independent Central Board which may be considered to be free from all political influences. So long as that is not provided for in the Bill, we must, in duty bound, press for the amendment moved by my Honourable friend, Mr. Mitra.

**Mr. S. C. Sen** (Bengal National Chamber of Commerce: Indian Commerce): Sir, we have been hearing about this Bill for the last four days and it is not necessary for me to dilate on the various points which have been discussed in this House *ad nauseam*. We have also heard about the Secretary of State's views regarding this Bill and his idea of having an Adaptation clause in the Constitution Act when it comes through. I do not know whether it is a bluff or a threat or whether he seriously wants to introduce such a clause so far as this Reserve Bank Bill is concerned. So far as this particular Bill is concerned, we all know that it is and ought to be the intention of every party concerned, including the Secretary of State, that it should be above any political influence; and I must say that that expression must mean political influence either in this House or of the Secretary of State. That being the case, the threat of this Adaptation clause has put us in a rather difficult position. The amendment of Mr. Mitra, therefore, wants to avoid that position and, for that purpose, he has moved this. The question whether this amendment can be moved in this House or not has been ruled by you as in order, and I do not think I need say, if I may say so, that I fully endorse your views. It does not affect nor attempt to affect or to amend the Government of India Act. The Government of India Act is an Act of the Imperial Parliament and we have no authority, no power and no jurisdiction to affect it or to amend it. This is an important Bill of this Legislature and we have every right to introduce into this Bill any word which may have occurred in some other Statute or some other Bill. The words "Governor General in Council", as used in this Bill, are unfortunate and it has, therefore, become necessary to put in an amending clause about its meaning. If we had simply said that the powers which under the Bill are to be conferred on the Governor General in Council are to be exercised by the Finance Minister for the time being, I do not think the Law Member could have made any objection to that. Merely because we have used those words, they cannot amount to mean the same thing as the words in the Government of India Act.

**The Honourable Sir Brojendra Mitter:** Are we discussing the point of order again?

**Mr. S. C. Sen:** No: I am not. I have accepted the ruling on the point. This is not a point of order at all: the Law Member perhaps wants to scare me. Under these circumstances, I think the arguments which have been adduced by the other side are not worth considering. I fully endorse the principle underlying this amendment as explained by Mr. Mitra. It is to prevent that threat taking place which the Secretary of State in

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his evidence before the Select Committee announced he would do by putting an Adaptation clause in the Constitution Act. If this amendment is made and if this is carried out, I should think that the Secretary of State, although he is Sir Samuel Hoare, a *zubberdust* and considers himself to occupy the position of the great Mughal, although he is like that, he will think twice before making his Adaptation clause apply to this Reserve Bank Bill, and, for these reasons, I fully and whole-heartedly endorse this amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): This discussion will be resumed tomorrow morning: but before I adjourn the House, there is one matter about which a requisition has been sent in about which I would like to consult the House. I would ask the division bell to be rung so that every Honourable Member may have an opportunity of being present.

(After the division bell was rung.)

I have received a requisition signed by 18 Muslim Honourable Members of this House to this effect:

"We, the undersigned Muslim Members of the Legislative Assembly, beg to state that as our important religious festival, *Shab-i-Barat*, falls on Monday, the 4th December, 1933, we will be unable to be present in the Assembly on that day if the Assembly sits on the 4th December. We, therefore, request that you will please direct that no meeting of the Assembly is held on that date."

As soon as my attention was drawn to this, I immediately caused inquiries to be made and I was handed in this opinion by one of the esteemed Honourable Members of this House:

"*Shab-i-Barat*, that is, the 15th day of Shahaban, begins after sunset on Saturday and lasts till sunset on Sunday."

After receiving this opinion, I caused inquiries to be made in the office of the Chief Commissioner for Delhi who generally gazettes such holidays, and the information given to us was that the festival falls on Sunday and not on Monday. To be again reinforced, I asked my office to find out from some leading Muslim gentleman in Delhi about this, and Khwaja Hasan Nizami was consulted, and the Khwaja Sahib said that, from the point of view of religion, it was not essential that Monday should be a holiday. Now, in the light of all these facts, I would like to know from Muslim Members of this House whether they would be unable to attend a sitting on Monday next. If there is a general strong desire on the part of one community like that, I would direct that the House should not sit on Monday. I would, therefore, ask those Muslim Members, who think that they would be unable to be present at the House on Monday on account of this festival, to rise in their seats.

**Mr. Muhammad Yamin Khan** (Agra Division: Muhammadan Rural): Sir, before you ask this, I may at least explain my position: when I signed that paper which was put before me I was under the impression that the festival falls on Monday and not on Sunday, because it depends on the lunar counting; it has been ascertained since then and I was told that *Shab-i-Barat* falls on Sunday and not on Monday: therefore, speaking for myself, as I am responsible for myself alone, I may say that I have no objection to attending on Monday.

**Mr. M. Maswood Ahmad** (Patna and Chota Nagpur *cum* Orissa; Muhammadan Rural): Sir, for many reasons which need not be explained I want a holiday on Monday. There is no doubt, Sir, that several Members will be unable to attend the meeting of the Assembly on Monday.

**Mr. Abdul Matin Chaudhury** (Assam: Muhammadan): I think, Sir, there ought to be a holiday on Monday on account of *Shab-i-Barat* out of regard for the feelings of Muslim Members.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Quite so: it is because I got a requisition signed by so many Muslim Members that I wanted to ascertain the feeling: I would ask Honourable Members, who think they would not be able to be present on Monday on account of this festival, to rise in their seats. I am not asking those Honourable Members who merely want a holiday to stand up: I am asking those Muslim Members who would not be able to attend a sitting of the House on Monday on account of *Shab-i-Barat* to stand in their places.

(Eleven Muslim Members rose in their places.)

Eleven Honourable Members have stood up. I must say that, so far as I am concerned, if it was clearly established that the festival falls on Monday, I would not have had any hesitation in declaring that the House should not sit on that day: but in any case there seems to be a difference of opinion and I do not want to take upon myself the responsibility of deciding whether the festival falls on that day. Since I find that as many as 11 Members belonging to a particular community have got up in their seats to say that they would be unable to attend a meeting on Monday on account of the festival, I would direct that the House should not sit on Monday. I shall make an announcement very shortly as to the rules which I propose to follow in future with regard to directing that the House should not sit on a particular day by reason of one communal festival or another,—I will make an announcement on that point shortly.

It was also put to me whether we would sit tomorrow afternoon. I had intended that if we were sitting for all the days next week, we would not be sitting tomorrow afternoon, but since I have now directed that the House will not sit on Monday, the House will sit for the whole of tomorrow.

The Assembly then adjourned till Eleven of the Clock on Saturday, the 2nd December, 1933.



## LEGISLATIVE ASSEMBLY.

Saturday, 2nd December, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

### THE RESERVE BANK OF INDIA BILL.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of the Reserve Bank Bill. Before we resume the discussion, the Chair would like to point out to the House certain implications of the Honourable Member Mr. Mitra's amendment which struck it when it examined the Bill. It might lead sometimes to absurd consequences and in many respects would be ineffective. Take, for example, clause 8—the Governor General shall nominate the Governor and the Deputy Governors. There the definition of Mr. Mitra fits in all right,—the Governor General, acting with the advice of the Finance Member, shall nominate the Governor and the Deputy Governors. But, take clause 35:

"The Governor General in Council shall transfer to the Issue Department gold coin, gold bullion, sterling securities, etc."

This new body,—the Governor General acting with the advice of the Finance Member—has no gold coin, or gold bullion or gold securities. Or take clause 46:

"The Governor General in Council shall transfer to the Bank rupee securities of the value of five crores . . . ."

Wherefrom is this new body to secure the five crores? Or, take clause 47, in the allocation of the surplus the balance shall be paid to the Governor General in Council, that is to say, Governor General acting with the Finance Member to be divided between them! (Laughter.) These are some of the very anomalous consequences that would ensue if this amendment is carried.

What the Chair would suggest is this. It would be best if, as each clause is taken up, a suitable amendment to this effect is moved to clauses where they would be appropriate. For example, in clause 8, if it is moved that in place of the words "Governor General in Council" the words "Governor General acting on the advice of the Finance Member" be substituted, there it is perfectly all right, but those words will not fit in some other clauses, say clauses 46 and 47. Under these circumstances, now that we have had a general discussion on the principle underlying this amendment, the Chair would ask Mr. Mitra whether it would not, on the whole, be better for him to withdraw this amendment at this stage and then to move the amendment in appropriate places. The Chair would, of course, allow him to do so at later stages.

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): It has been just pointed out that this particular amendment may not fit in with particular clauses later on. Wherever we find that this particular amendment will not fit in, then, as a consequential amendment or otherwise, the wordings may be changed. We have got a definite ruling that it is in order and we have already had a discussion on this particular amendment, and I think we should go on with the discussion and find out the opinion of the House. If it is carried, and did not afterwards fit in with certain clauses, then those clauses may be modified. I would rather ask that the reverse step should be taken, namely, that this amendment should be proceeded with, and where it does not fit in, the clauses may be modified. We need not modify those clauses where it did fit in.

**Mr. S. C. Mitra** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): It is all the same to me whether you permit me now or if you think that the discussion might go on, on the general principle, and then we can take up the amendment as each appropriate clause comes.

**Mr. President** (The Honourable Sir Shanmukham Chetty): If the Honourable Member only desires that a few more Honourable Members might get a chance of speaking on this, then, the first time that that amendment is moved, the Chair will have no objection to allow a few Honourable Members to speak. That need not stand in the way of the Honourable Member withdrawing it at present.

**Mr. S. C. Mitra:** Sir, I accept your suggestion, and I ask the House for leave to withdraw my amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Has the Honourable Member, Mr. Mitra, leave of the House to withdraw his amendment?

**Some Honourable Members:** No.

**The Honourable Sir George Schuster** (Finance Member): I feel that a good deal has been said in this discussion on this amendment which it is fair that we on this side of the House should have an opportunity of answering, and I put it to you that it would be a saving of time if we could follow the line suggested by my Honourable friend, Dr. Ziauddin Ahmad. We have an opportunity now to finish the discussion on this particular form of amendment to which the same considerations would apply whenever it comes up in connection with any particular clause. I would put it to you, Sir, that, as a great deal has been said in the course of the discussion on this amendment, it seems to me that it is only fair that we should proceed and that we should have an opportunity of answering.

**Mr. President** (The Honourable Sir Shanmukham Chetty): But the Honourable Member will get the same opportunity when, at a subsequent stage, the Honourable Member moves his amendment to particular clauses. That is why the Chair said it would allow another opportunity to the House, to discuss this.

**The Honourable Sir George Schuster:** Would that mean that all the speeches would have to be repeated?

**Mr. President** (The Honourable Sir Shanmukham Chetty): All those Honourable Members who have already spoken on the principle will not intervene in the debate. (*Honourable Members*: "Yes"). There would be only a few more Honourable Members who would like to take up the trend of the discussion and then the Chair would give ample opportunity to the Finance Member to give his reply. What is the difficulty that the Finance Member anticipates in that?

**The Honourable Sir George Schuster:** I have two points. First of all, I thought it was desirable to save time, and, secondly, I did myself desire an opportunity to say something in reply to the good deal that has been said in the course of this discussion. It seemed to me that both those purposes would be best served by continuing this in the form of, what I might call, an omnibus discussion on all the amendments that might be moved to particular clauses later, and I thought that it would in the end probably save time and that our answer to the points made would be more effective if they were made as part of the present discussion and not added just at the end.

**Mr. C. S. Ranga Iyer** (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): Might I suggest by way of meeting both your point of view and the Government's and ours, that we may exhaust the discussion on the identical question now, but we may reserve the right of voting, should it be necessary, to a later stage? That means we will be able to finish our discussion and, at the same time, the amendment will be withdrawn as suggested by you and accepted by the Mover, and it will overcome the difficulties of the Government.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair is prepared to meet the convenience of the House. The result is the same. If it is the desire of the House that this discussion may be continued, then what the Chair would do is this—at the end of the discussion the Chair would see whether the Honourable Member asks for leave to withdraw. If he does not ask for the leave of the House to withdraw, the Chair would refuse to put the question on this amendment.

**An Honourable Member:** He has not refused to withdraw.

**Mr. President** (The Honourable Sir Shanmukham Chetty): If he asks for leave to withdraw and the House refuses leave,—because the Chair heard voices on this side, saying "No"—even then the Chair would refuse to put the question. According to the House of Commons practice:

"If it should appear, in the course of the discussion, that an amendment which has been allowed to be moved is out of order, the Chairman draws the Committee's attention to the fact and withdraws the amendment from the consideration of the House."

Yesterday, the Chair allowed this amendment to be in order in respect of certain objections taken by the Law Member, because the Chair held that those objections did not hold good. Subsequently, the Chair discovered that there were certain other objections which cast a doubt whether this amendment was in order or not. It is open to the Chair now to draw the attention of the House to this new aspect and to withdraw the amendment from the consideration of the House. Therefore, the only course that is

[**Mr. President.**]

open to the Chair, if the House does not want to give permission to the Honourable the Mover to withdraw the amendment, is to refuse to put the question on that amendment.

**The Honourable Sir George Schuster:** I should like to make it clear that we only said "No" when you asked whether the House agreed to withdraw the amendment, because we wanted an opportunity to raise this question.

**Mr. President** (The Honourable Sir Shanmukham Chetty): That is all right.

**The Honourable Sir George Schuster:** I wanted an opportunity to put that point of view to you, that it might be better to allow this discussion to proceed to its natural end; but, of course, if that procedure is followed, we should certainly not object to the Honourable Member withdrawing the amendment at the end of the time and, on the whole matter, we wish to take no line out of accord with the general views of the House. I merely wanted to put this point of view to you.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Then the course that we shall follow is this. The Chair will allow this discussion to proceed. At the end of the discussion, this amendment will be withdrawn from the consideration of the House, but, later on, if the Honourable Member is so advised, he would be at liberty to move this amendment to appropriate clauses. At that stage, the Chair will not allow further discussion, but will simply put the question.

**Mr. Muhammad Yamin Khan** (Agra Division: Muhammadan Rural): Sir, yesterday when the debate on this clause was going on, my Honourable friend, Thakur Gaya Prasad Singh, drew the attention of the House to a certain clause in the report of the London Committee and he, in a way, objected to one of our friends in this House, Diwan Bahadur Ramaswami Mudaliar, for having put his signature to that particular clause. That is the clause about giving power to the Governor General at his discretion in making the nominations to the Board of Directors. My friend, Diwan Bahadur Ramaswami Mudaliar, instead of paying back Mr. Gaya Prasad Singh in his own coin and instead of asking why he did not take up this question in the Joint Committee, indulged in the exuberance of his language. Instead of defending himself, he tried to insinuate certain things in his ordinary eloquence and tried to throw dust on some members of the Committee whom he did not name—I see that the other Members of the Indian Legislature in this Committee, who signed simultaneously along with Diwan Bahadur Mudaliar, are Mr. Anklesaria, Sir Cowasji Jehangir, Mr. Mody, myself, Lala Rami Saran Das and Mr. C. C. Biswas. Now, Sir, as there may be a doubt about that, who these Indian Members were that spoke in the manner and to the length as my friend, Mr. Mudaliar, went, there may be certain kind of apprehension created or misunderstanding created in the Members' minds. The effect of the speech of Mr. Mudaliar is that he was the only champion fighting for the cause of Indians and the others were simply sitting and accusing the future Ministers of the Legislature who may come from Indian States and British India. He went to the length of saying that the Members said that they had no confidence in the present Executive Councillors, both Indian and European, and, in the face of Sir George Schuster, it was said that we had no confidence in him also.

Now, Sir, what was the occasion on this question of the nomination to the Directorate to drag the present Indian Executive Councillors or to drag Sir Brojendra Mitter, Sir Joseph Bhore, Mian Sir Fazl-i-Husain, Sir Harry Haig or Sir Frank Noyce or, even to say in the face of Sir George Schuster, that there was no confidence in them? Sir, I declare on the floor of the House that the House has got full confidence in the Indian Councillors and also the British Councillors who are sitting today. There would not be one Indian Member to say a word against our present Executive Councillors, whether they are Indian or European. There is absolutely no opportunity to drag the name of these gentlemen in connection with the Directorate. My friend, in his zeal or heat to defend himself and having been cornered by Mr. Gaya Prasad Singh, started throwing dust . . . .

**Diwan Bahadur A. Ramaswami Mudaliar** (Madras City: Non-Muhammadan Urban): Am I to understand from the Honourable Member that the language that I used, with reference to a particular section having used those words, was never said at the London Committee in any connection?

**Mr. Muhammad Yamin Khan:** If my friend has got patience to listen to me as I had the patience to listen to him . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair drew the attention of the House yesterday to the undesirability of dragging in the proceedings of a Committee, and it hopes the House will kindly observe the remarks that it made.

**Mr. Muhammad Yamin Khan:** I bow to your instructions. I would never drag in what was said in the Committee, but I am only defending those Honourable Members other than Mr. Ramaswami Mudaliar in regard to the aspersions he cast on them. As a misunderstanding has been created, I must refute it and I hope you will allow me indulgence to do so. I am not going to drag in what was said at the London Committee. What I am pointing out is that what he said on this occasion was absolutely unwarranted. Mr. Mudaliar never put up so vehemently this case. If he felt so strongly, I would have expected from a man of his position to rise to the occasion and put down a note of dissent. If he was so strongly opposed to this principle, we ought to expect from people of his position at least to be honest and put down a note of dissent without caring whether it was a compromise or not a compromise. The delegation of the Indian Members of the Legislature consisted of Sir Cowasji Jehangir, Mr. Mudaliar, Mr. Mody, Mr. Anklesaria, Lala Ram Saran Das, Sir Phiroze Sethna and Mr. C. C. Biswas and, of course, my humble self. Even though a few had been on one side and the rest had been on the other side, it was certainly for the majority view to prevail and not for the minority to carry it. This report has been signed by all the members unanimously. I may remind you, Sir, that this is an occasion when the quotation of a few words only will show you how this clause comes in:

"In view, however, of the fact that the particular circumstances of Indian election may fail to secure the representation of some important elements in the economic life of the country, such as agricultural interests, we recommend that a minority of the Board should be nominated by the Governor General in Council."

We all felt unanimously that agricultural interests were the most essential elements which ought to be represented on the Board. Now, as we

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all know, Sir, whether we may like to believe it or not, when the future Constitution comes into existence, the Finance Minister will be not very easily available from amongst the agriculturist classes, but will almost certainly be a man hailing from the banking or the commercial classes, and it was, therefore, felt that it would not be advisable to leave this power in the hands of the Minister, who, after all, must be a party man and who may show the usual party inclinations in making these nominations and who must show deference to his own party in the Legislature, and who can never shut his eyes to the demands which may be put up by his own party and who may, therefore, consciously or unconsciously be led to ignore the interests, the representation of which we all want to secure; and I think my Honourable friend, Diwan Bahadur Ramaswami Mudaliar, was all along with me on this point and there was not a single dissentient vote as regards the question of nominations. We all unanimously agreed that the power of nomination should be left entirely to one man who may not be influenced by any party bias, but will be concerned to secure the representation of all elements . . . .

**Diwan Bahadur A. Ramaswami Mudaliar:** I can only deny that, as a matter of personal explanation.

**Mr. Muhammad Yamin Khan:** Now the only personality to whom we can look in future in this matter is the Governor General and there was not the least question of dragging the names of the Honourable Sir Brojendra Mitter, Sir George Schuster, Sir Joseph Bhore, Sir Frank Noyce, Sir Harry Haig or Sir Fazl-i-Husain. We have got absolute faith in them. But they will not be on these Benches in their present capacity then. There will be others whose actions in making the appointments we certainly felt doubtful about, as to whether they would act impartially or not act impartially. Can Honourable Members of this House say that they could easily act against the interests of their own parties and take into account solely the interests of other parties? No. If Honourable Members here cannot do so, where, after all, will the Ministers come from? The Ministers will be drawn from amongst these very Honourable Members. Can they point out any single non-official Member on whom the whole House has got confidence? Can they, I ask, shirk the interests of their own parties? They have to keep their own parties intact. So I think my Honourable friend's exaggeration was quite unwarranted. There was no such thing. My friend asked me whether this question did or did not happen. Well, I can say, there was some talk when the question came up about the appointment of the Governor which carries a salary of Rs. 10,000 a month, and it was doubted whether the minister would be able to stand up against his own party and the recommendations of his own party in filling up that appointment on Rs. 10,000 a month. Sir, we do not want our future Ministers to be embarrassed by the pressure of the influential members of their parties, who may possibly be recommending the appointment of their brothers-in-law or future sons-in-law. (Laughter.) For this very reason, our Executive Council does not want to take up on themselves the decision of similar questions, but have entrusted these duties to the Public Services Commission even in the matter of small appointments. Now, I ask, how many Honourable Members on those Benches are not now-a-days harassed almost every day whenever a small vacancy takes place here or there? Are they not

constantly receiving lots of recommendations from the Honourable Members of this House in the matter of small and petty appointments? Likewise, the Ministers will in future cannot escape being harassed by the influential members of their own parties. Sir, I am clearly of the opinion which I have expressed, and I firmly hold this opinion and I shall be the last person to give this power into the hands of a Minister which power may be abused since the Minister may be embarrassed in making these appointments, and may not be allowed to make the best selection. I want him to be secure and to be safe from the aggressions of his own party people. There are bound to be bitter controversies regarding selection as between Indians and Indians of certain classes.

**Mr. D. K. Lahiri Chaudhury** (Bengal: Landholders): Are you not casting a reflection on your own people, on your own Ministers?

**Mr. Muhammad Yamin Khan:** Certainly I do if people like my friend, Mr. Lahiri Chaudhury, become the Ministers.

**Mr. D. K. Lahiri Chaudhury:** Thank you.

**Mr. Muhammad Yamin Khan:** I will have no faith in men like him who may happen to become Ministers. Such men will surely be bound by their party politics, by their own inclinations, and they will certainly shut their eyes or will put up glasses on their blind eye in order to favour their own party men. (Laughter.) Sir, there is no question of Europeans *versus* Indians. There will be questions as between Indians and Indians at that time. There will be a party of Indians who will be in a majority and there will be another party of Indians which will be in a minority in the future and the aggressions of the majority over the minority have to be safeguarded. It is no question of Indians and English people. In fact there may be no English people on these Government Benches in future; they will all be Indians, and I want to save those people sitting on this side from the aggressions of those Indians who may be sitting on the other side. Sir, there are many who have got no confidence now in Indians as a whole. There are many people in this House who have similar misgivings, but that was with regard to the question of the appointment of the Governor. There is no question of this kind concerning the nominations to the Directorate. We all agreed; and I absolutely deny any of us having ever dragged in the names of the Honourable Members of the Executive Council.

**Mr. B. R. Puri** (West Punjab: Non-Muhammadan): Do you mean that a statement of that kind was never uttered?

**Mr. Muhammad Yamin Khan:** At least I was never present at such a meeting if and when it was uttered. But I had never been absent for more than five or ten minutes at a time. To my knowledge, that kind of talk about dragging in the names of Executive Councillors on the question of nominations never took place.

**Mr. K. G. Neogy** (Dacca Division: Non-Muhammadan Rural): Was there any other talk on the Executive Councillors?

**Mr. Muhammad Yamin Khan:** It was unnecessary to drag in the question of the Executive Councillors in whom we all have got such good faith. Now, my friend, Dr. Ziauddin, thought that I turned wherever Sir George Schuster turned. If the Honourable gentleman had the courage of his conviction to tell to the face of the Honourable Sir George Schuster that he has got no faith in him and he has got no faith in the Executive Council, I will admire his action. On the contrary, we have all got faith in him. There is nobody in this House who has not got faith in him.

**Mr. K. G. Neogy:** How do you know?

**Mr. Muhammad Yamin Khan:** At least I have not heard anybody doubting the honesty of purpose of the Honourable Sir George Schuster. It has been said that he is acting as an agent of some body else, but everybody knows that Sir George Schuster has tried his level best to meet the wishes of the Honourable Members of this House.

**Mr. President** (The Honourable Sir Shanmukham Chetty): This amendment affirms the faith that the House has in Sir George Schuster.

**Mr. Muhammad Yamin Khan:** This very amendment shows that the House has got full faith in Sir George Schuster and the Honourable Members of the Joint Select Committee will bear me out when I say that, in spite of his commitments which he had made in the London Committee, he was always willing to meet the wishes not of one but of every member. The very amendments which you find in the Bill, as it has emerged from the Select Committee, shows how much regard he had for the members. If he had not gone out of his way to meet the Honourable Members, probably this Bill would not have been amended in such a good way as it has been.

Now, Sir, I come to the real amendment. I would like to draw the attention of my Honourable friend to the mistake he is making by moving this amendment. His object is that in future the Governor General may not be the only person who should have this voice, but that it may be shared with him by somebody else. Who will be that person under the future Constitution? My friend wants that it should be the Finance Minister, which is the case at present. But for the future he has got some doubts. Let me tell him that he will never be able to achieve that object in this way, because the Adaptation Clause is to be made in the Constitution Act and not here. The Finance Member will be defined in the Constitution which is going to be framed in London by the Parliament and not by this House. Let us see what the White Paper scheme is. The White Paper lays down that the Governor General will have a Financial Adviser. Now, this person will not be the Finance Minister; but, quite apart from the Finance Minister, there will be a Financial Adviser to the Governor General. My Honourable friends think that by certain device they can oust the plans which the British Parliament has got in its head. If the British Government have got some kind of plan in their head, can they not meet your device later on if your Bill comes first and their Bill comes later on? They can put up a definition as you have got. If their idea is to deprive the Minister from having a voice, then, whatever you may say here is not going to compel them to give up that idea. Besides, it will be defeating your own object. You may take away the power from the Governor General, but you will place it in

the hands of the Governor General acting on the advice of his Financial Adviser. That will be the position which will be created by this amendment.

**Mr. C. S. Ranga Iyer:** But this amendment, under the altered Constitution, would read: Governor General acting on the advice of his Minister, and the Financial Adviser is not the Minister. The object, if I may say so, is to take away the power which, we fear, the Financial Adviser has in actual experience as the Financial Adviser has in Egypt over the Finance Member.

**Mr. Muhammad Yamin Khan:** Quite right. That is the object which my friend, Mr. Mitra, has got in view, but can that object be achieved? My point is that this object will never be achieved, because, whatever you have got at present, can be defined by the Constitution Act and, in the Adaptation Clause, they will say that this clause may read as Governor General acting on the advice of his Financial Adviser.

**Mr. C. S. Ranga Iyer:** Not at all; it is the Financial Minister.

**Mr. Muhammad Yamin Khan:** Why should they introduce the Minister? I quite agree with my Honourable friend that it is the desire of this House that it should be the Financial Minister.

**Mr. C. S. Ranga Iyer:** Under the new Constitution, the Finance Member will be the Finance Minister, as the Honourable Member no doubt knows as he has read the White Paper.

**Mr. Muhammad Yamin Khan:** My friend may say this, but when the Adaptation Clause comes in, the Governor General in Council will read, under the future Constitution, as Governor General at his own discretion.

**Mr. C. S. Ranga Iyer:** But the Adaptation Clause will be put in not by this Legislature, but by the British bureaucracy on its own responsibility.

**Mr. Muhammad Yamin Khan:** No, it won't be put in by the British bureaucracy, but it will be put in by the British democracy.

**Mr. C. S. Ranga Iyer:** Democracy from the British point of view and bureaucracy from the Indian point of view. It will be the bureaucracy of Whitehall.

**Mr. Muhammad Yamin Khan:** It may be nothing of the kind. I am talking of the practical effects which will come in and the danger which this amendment carries with it. I do not say what our desire is, but I say what will be the result of our desire to achieve certain object. The danger lies in one respect that it will not be defined in this particular clause as Governor General acting at his own discretion, but the Adaptation Clause will be put in to read in this clause the Governor General on the advice of the Financial Adviser which will be worse than the Governor General at his own discretion. The Minister can agitate against the Governor General if he does not listen to him, but in this case you are shutting the mouth of the future Minister if you accept this amendment. This clause will be depriving the Minister of the power of counselling the

[**Mr. Muhammad Yamin Khan.**] Governor General and giving him advice if he wants to seek it. Therefore, I think this amendment is most inadvisable in the interests of India and that it will not serve our purpose, but it will serve the purpose other than what we have got in our view.

**Mr. B. R. Puri:** What course would you advise us to follow?

**Mr. Muhammad Yamin Khan:** Unfortunately we are placed in this position that the Reform Bill cannot come until we have this Reserve Bank Bill through. That is the position in the White Paper scheme. Unless you pass this Bill, you can have no advance in the Centre. It means this that even if you have all the power transferred in the provinces, the Constitution Act will not go to deal with the transfer of power in the Centre unless you pass this Reserve Bank Bill. That is our unfortunate position. After you pass this Bill, the Adaptation Clause will follow and will define what authority will mean what authority in the future. If they are bent upon this that they are going to exclude your Minister in financial matters, then no device on our part in framing this Constitution can stop them from meeting our devices in the way that they will bring their own devices. If the British Parliament is bent upon excluding our Minister, then, I say, that nothing in this Bill can affect that position. In all these clauses in the Bill, unfortunately we cannot put in the words "future Minister". If the Constitution Act had come first, it could define "the future Minister", but at present you cannot put in that expression. We are not the people to legislate as regards our future Constitution, but it is some body else who has got to legislate for us.

**Mr. B. R. Puri:** Then how to express our views?

**Mr. Muhammad Yamin Khan** You can give expression to your views by other means and by other methods, but you cannot put in a provision in this Bill, because it is some other body that will have to transfer the power to you in the way they want to transfer.

**Mr. K. C. Neogy:** Why do not those people take the responsibility to legislate in this matter?

**Mr. Muhammad Yamin Khan:** They do not want to take responsibility for legislating the Reserve Bank Bill for us. I do not want to answer why they do not take the responsibility. It is their look-out and it is their plan. That is the scheme of the White Paper, whether it is good or bad, we have to take it. We have got our difficulties and we have got our aspirations to legislate for the future of India. There is the Secretary of State who is responsible to the British Parliament and he has got to get the Reform Bill through Parliament. He has got several opponents and he has to carry this Bill through in the teeth of great opposition. Our demand is that we want 100, but, on the other side, there are some people who do not want to give you even five. There are some other people who sincerely believe that India must get some kind of advance, but they are not ready to give 100 nor do they want to give you only five, but they want to give you fifty. They are meeting with great opposition from both sides; from people who want to get 100 and also opposition from people

who do not want to give you anything beyond five. The question is, whose opposition is more effective? We cannot ignore this fact. The Secretary of State has to take his Bill not through the Indian Legislature, but through the House of Commons and also through the House of Lords where he will meet with the greatest opposition. He knows that your demands are too high and the demands of your opponents are also on the other extreme.

**Mr. B. R. Puri:** What do you want us to do?

**Mr. Muhammad Yamin Khan:** I want that my Honourable friend, Mr. Mitra, should not press his amendment. He can never achieve his object by putting this amendment in the Bill. It will make the position worse. By putting in this amendment, you will tie the hands of the future President in his interpretation of this clause. On the other hand, if you leave the clause, as it is, there may be some loophole left which will enable the future President to interpret the clause in our favour. On the other hand, if you bring out some device, your opponents also will bring out their own device to meet you. If you put in this amendment, I am afraid, they will make the Adaptation Clause very stringent and it will not be in the interest of India. We have to discuss this amendment dispassionately without any sentiment. I think my Honourable friend will be well advised if he withdraws his amendment. Otherwise, I cannot support him. In any case, I am convinced that it is not in the interest of India and, therefore, I oppose it.

**Mr. Muhammad Muazzam Sahib Bahadur** (North Madras: Muhammadan): It seems to me that the amendment proposed by Mr. Mitra places the Governor General in a subsidiary position. The Governor General "as advised by the Member in charge of Finance" who will be the Finance Minister under the new constitution will have to be responsible to the Legislature. The Governor General "as advised by the Finance Minister" means that the Governor General will have to carry out the wishes of the Finance Minister whatever they may be. There are two things which we have to consider before we pass this amendment. It would be the primary duty of every one interested in the welfare of India that the credit of the Reserve Bank should be a matter of paramount importance not only in the eyes of the people of England, but also to the people of the world. It is imperative that the finances of India should command such a degree of confidence in the outside markets of the world that no one can have any suspicion with regard to their solvency. That is the main consideration and, whoever the Governor General may be in the future Constitution, it will be his primary duty to maintain the credit of the Reserve Bank of India at that level. And, if the effect of an amendment of this type is to make the position of the Governor General subsidiary to the Minister in charge, who will necessarily have to placate the Legislature and whose advice in certain circumstances may turn out to be against maintaining the financial credit of India in the eyes of the nations of the world, then, I think, this amendment will go contrary to the very object for which the Reserve Bank is being created.

**Dr. F. X. DeSouza** (Nominated Non-Official): Sir, I have been attempting to follow this very interesting debate with great care, but I regret to say that I have not been able to see how this amendment, if carried, will serve

[Dr. F. X. DeSouza.]

pay useful purpose in practice. If the intention of this amendment is to define the position of the Governor General *vis-a-vis* his Finance Member in the Federal Constitution, then I maintain that this amendment, even if carried, would be mere waste of breath, because the position of the Governor General *vis-a-vis* his Finance Member will be defined in an Adaptation Clause of the new Constitution Act; and, as explained at great length by my Honourable friend, Mr. Yamin Khan, this morning, it is the Parliament that has the last word . . .

**Mr. D. K. Lahiri Chaudhury:** Which is not known as yet.

**Dr. F. X. DeSouza:** If it is intended, Sir, by this amendment to define the position of the Governor General in the present Constitution in the *interim* till the new Constitution is inaugurated, then, I venture to say, that by this amendment you create a new legal *persona* consisting of the Governor General as advised by the Finance Member, and invest him with certain rights and liabilities. The law at present, as laid down in the Government of India Act, recognises only the Governor General in Council, that is, the Governor General as advised by his Cabinet of whom the Finance Member is only one. But, by this amendment, you propose to create another and a new legal *persona*, that is to say, the Governor General as advised by his Finance Member. As you ruled, Sir, it is quite within the competence of this Legislature to create a new legal *persona* and to invest him with new rights and liabilities provided those new rights and liabilities do not come into conflict with the rights and liabilities as defined by the Government of India Act. But, Sir, what would be the result of this amendment if carried? It would divest the present Cabinet of the Governor General of their collective responsibility for the financial measures of the Government of India, and the responsibility for the financial measures of the Government of India will be fastened on the Finance Member alone. What would be the result? It would relieve all the other Members of the Cabinet of all responsibility for finance; and if the Government of India propose any measure which this House condemns, the other Members of the Cabinet and more specially the Indian Members of the Cabinet will be relieved of the unpleasant necessity of having to tender their resignation if the measure which is proposed is grossly against the interests of India.

That, Sir, is not a gain, it is a distinct loss. I maintain that it is absolutely essential in the interest of sound administration that the collective responsibility of the Cabinet for the financial measures of the Government of India should be maintained and should not be whittled down as is proposed to be done by this amendment. That, I say, is a distinct loss if this amendment is carried. What is the gain? My Honourable friend, Mr. Vidya Sagar Pandya, compared the position of the Governor General and the shareholders to the not very elegant position of a big partner and a small partner smoking the same cigar. By this amendment you would only add the Finance Member to have a pull at the cigar with the result that the small partner, the shareholders, will have less chance for spitting.

The purpose of this amendment, I take it, is to prevent any pressure being brought upon the Governor General from Whitehall and the Secretary of State. Now, Sir, if the Governor General *ex hypothesi* is unable to resist the pressure which is brought upon him by the Secretary of State

and by Whitehall, is it likely that the Finance Member, under the present condition, will be in a better position to resist that pressure? Sir, I yield to none in my respect and admiration for the sturdiness and the independence of the present Finance Member, but he will have to be a superman, I think, if he is able to resist the pressure of Whitehall and of the financial magnates of the City if *ex hypothesi* the Governor General is unable to resist it.

Now, supposing the amendment is carried, how is the responsibility of the Finance Member going to be enforced? So far as this House is concerned, the Governor General, as a constitutional ruler, can do no wrong: his acts are the acts of his Minister. How then can the responsibility of the Finance Member who would be the only Minister responsible be enforced for any financial measures of Government? So far as I am aware, there are no means of ascertaining what exactly is the advice tendered by any particular Minister to the Governor General? It is guarded strictly by the Official Secrets Act. If you in this House move a vote of censure against the Finance Member, what would be the practical result? You would not

12 Noon. be able to enforce it, even if you carried it. The House will only expose its importance even more than it would under the present Constitution. For all these reasons, I am of opinion that this amendment, even if it is carried, would serve no practical purpose, and I would oppose it.

**Mr. D. K. Lahiri Chaudhury:** Mr. President, there are occasions when one is forced to stand on his legs; and, after the speech of the Leader of the United India Party, I am inspired to stand on my legs and to make some observations on this amendment, though I was not at all willing to speak before. The Honourable Member stood up and took the Deputy Leader of my Party, Diwan Bahadur Ramaswami Mudaliar, to task for stating that the Honourable the Leader of the United India Party did not cast any aspersions on the Executive; but, in developing his argument, he controverted the remark and stated that he had no confidence in the future Ministers who will be the next Executive. . . . .

**Mr. Muhammad Yamin Khan:** I did not say that I had no confidence in the future Ministers. My friend, Mr. Lahiri Chaudhury, asked me a question whether I have got any confidence in the future Indian Minister, and I said that if that Indian Minister was going to be Mr. Lahiri Chaudhury, I had certainly got no confidence in him.

**Mr. D. K. Lahiri Chaudhury:** That does not mean that the future Indian Minister would be Mr. Lahiri Chaudhury: I can assure my friend, Mr. Yamin Khan, that Mr. Lahiri Chaudhury is not going to be the Finance Minister. He can be rest assured on that point; and, if the future Minister is reliable in the performance of his duty, we will have confidence in him. To come to the point, it is said that we have got no right to change anything and that Parliament will be the final arbiter in every matter under the new Constitution and, therefore, what is the use of making this amendment here? It has been said, there is going to be an Adaptation Clause in the coming Constitution, as declared by the Secretary of State. Now, I would tell my Honourable friend, the Leader of the United India Party, if he has got a little grain of common sense in him, he will understand that whenever any legislation is brought in this House on any point even under the present Constitution before the

[Mr. D. K. Lahiri Chaudhury.]  
 Legislature, however tame the measure may be, if it does not suit the great Mughal's pleasure, he has the power to reject the measure through his agent, the Governor General; but will that be any reason why we should not place such amendment before the House if we on this side of the House think proper? Is that any reason why we should not place our point of view and criticise the thing? If that be the case, I think it is the first lesson which the Honourable Member should learn, that it is the duty of this House and of the Opposition to make its views known. That is clear. It may be that there might be occasions when even Sir George Schuster cannot carry out his own wishes, because, as Mr. Yamin Khan himself admitted, he is not acting here on his own behalf, but on behalf of a different body which takes an entirely different view sometimes. Past experience shows that in spite of the Finance Member's good will, he could not help us, though his conscience dictated otherwise for he had to abide by the dictation of the Secretary of State, who hardly understands the Indian situation here. But if we pass this amendment what its effect will be? Its effect will be that the future Finance Minister who shall have to keep the confidence in his followers to be responsible to the House and to the public criticism. Mr. Gaya Prasad Singh made it clear from the evidence of the Secretary of State that the Financial Adviser was to be free from any political control or legislative criticism; and, I say, it is for that reason that this amendment ought to be accepted in this House, because it is only in that case that the Finance Minister can be linked up with the Governor General in this matter of vital importance. The future Finance Minister can carry out the demands of the country only if he has the power. But if the elected Members of this House do not move an amendment at least at this stage to show our own individual views on this point, it would be absolutely unjustified on our part to say anything later: we must say that we have sufficient confidence in the future Finance Minister and that we want him to work in consonance with the Governor General. That is the main point. We will have no control over the Financial Adviser to the Governor General. Mr. Yamin Khan's argument was that he could not pin his faith on future Finance Ministers in giving them the powers of nominating a Governor who will draw a salary of Rs. 10,000 per mensem: but why should it not be under the control of the Finance Minister who may function in consonance with the Governor General? Is that the view that ought to be taken by the Leader of the United India Party? United India Party is a mere name: if it is to be a United India Party really, it must unite all India in the field of politics and in other fields. But everybody knows that the Leader of that Party is not uniting India, but he is dividing India; and, if he has really a grain of common sense, he will certainly bear with me on this issue particularly, that the Legislature, having got no control over the Financial Adviser, must pass this amendment so that the Secretary of State may know our views.

**Mr. Muhammad Yamin Khan:** On a point of personal explanation, Sir. My friend says that I am disuniting India; but, on the contrary, I am really uniting India, and not disuniting his own party.

**Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban):** None of us are capable of doing that: so why should you worry?

**Mr. D. K. Lahiri Chaudhury:** I am very sorry that the Honourable Member, who interrupted me, could not make his case strong. Every body knows—and it is a fact that stands in the country—whether he is uniting India or dividing India: I shall leave it even to his conscience to tell him what he is doing. I say, this is an important amendment; and when you, Sir, have ruled it in order, I do not see any objection to its being moved and carried, if possible. I cannot understand how it would not have any effect in the future Constitution. I say, if this is carried, it will carry great weight, because it will show that it is the unanimous, or at least the majority, view of this House that the future control of this Bank ought to be confined to the Governor General in consultation with his Finance Minister and not the Financial Adviser who will not be responsible to this House. I say, it is better that it should be the Finance Minister over whom this House will have control rather than the Financial Adviser over whom there will be no control. The Finance Minister will certainly look after the interests of the country provided he gets support from the Legislature. Therefore, Sir, it is our duty, as elected Members of this House, to put on record our views that the management of the Bank, when it comes into existence, should be conducted by the Finance Minister in consultation with the Governor General. With these words, Sir, I wholeheartedly support this amendment.

**Raja Bahadur G. Krishnamachariar:** (Tunjore cum Trichinopoly : Non-Muhammadan Rural): Sir, I have not had the good fortune or the misfortune of having been a member of the London Committee nor of the Joint Select Committee which sat to consider this Bill . . . .

**Mr. Muhammad Yamin Khan:** You refused to go.

**Raja Bahadur G. Krishnamachariar:** That is the cause, but the result . . . .

**Sir Cowasji Jehangir:** Your misfortune is your own fault.

**Raja Bahadur G. Krishnamachariar:** In the beginning it might have been, but from what has happened both yesterday and today, I am afraid it is no fault of mine, but the misfortune is a blessing in disguise, because probably I shall have to stand up and say lots of things which, you, Sir, have ruled out of order, and yet, I find the thing comes up again and again. It seems to me, and I say it with all respect, that a good deal of unnecessary heat has been imported into this discussion. I can understand the reason for that. Sir, we all want that we should have a free hand in the management of our currency and credit. We find looming large in the distance some prospect of our being deprived of that freedom. We get angry when we see that our ideas of getting a free hand in the management of our currency and credit cannot be translated into action, and we get angry. This is but natural. It is human experience that when our anger cannot find vent, it always does with the man who is immediately in front of you. But, Sir, I hope Honourable Members of the Treasury Bench will take note of the heat that has been generated in the discussion as an indication of the depth of feeling that this House feels regarding the probable amendment of the Constitution, and I hope this will be duly communicated to the proper quarters so that they may, in coming to a final conclusion, reckon with what the Indian feeling will

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... if they do not meet it, so far as it is possible to do consistently with what they consider to be their own responsibilities. Sir, having said that, it seem to me that, if this amendment is to be considered with reference to actual conditions, my friend should not press it, and, even if he were to press it, you, Sir, have already said that you will refuse to put it to vote. Therefore, it seems to me, it is purely an academic discussion as regards the result of the amendment as a whole. The conditions under which this Bill has come into existence have not been kept in view in this discussion. Starting with the White Paper which said in paragraph 32:

"The proposals relating to responsibility for finance after Federation are based on the assumption that, before the first Federal Ministry comes into being, a Reserve Bank, free from political influences, will have been set up by the Indian Legislature and"—(we are told)—"successfully working."

Now, the position is, before our new Constitution with Central responsibility will come into existence, if it comes, this Reserve Bank must be brought into existence by an Act of the Indian Legislature and it should be successfully working. Now, Sir, as has been stated in the London Committee's Report the Committee that sat there was appointed in pursuance of an undertaking given by the Secretary of State after the decision of the Third Round Table Conference, and the first paragraph and also a portion of the second paragraph of the Report of that Committee says this:

"It was recommended by the Federal Structure Committee of the first Round Table Conference that with a view to ensuring confidence in the management, efforts should be made to establish a Reserve Bank free from political influences"

etc., etc.

The Financial Safeguards Committee said that steps should be taken to introduce into the Indian Legislature a Reserve Bank Bill conceived on the above lines, and the present Committee has accordingly been set up.

"We understand".

—says the second paragraph, and I would invite the attention of the House specially to it,—

"We understand that the Bill, when drafted, is to be placed before the present Indian Legislature with a view to its being brought into force before the expiry of the existing Constitution. The provisions of the Bill, therefore, will have to be designed to fit in with the existing Constitution, but, in discussing them, we have kept in view the conditions contemplated under the new Federal Constitution and endeavoured to frame proposals on lines which will require the minimum of adaptation . . . ."

and so on.

Now, the point that I wish to emphasise is, that the Reserve Bank Bill, whatever may be the changes introduced according to the Adaptation Clause after the Constitution is framed, must now be framed and passed in accordance with the existing Constitution, and it will work for sometime—we do not know for how long—under the present Constitution, and, consequently, when this Bill was framed, the condition obtaining under the present Constitution had to be considered. When the new Constitution comes into force, what will happen, I shall come to

later on. Now, the Bill was referred to a Select Committee, and the Select Committee resolved that this measure shall come into force on a day that the Governor General shall notify. Why they said that, I do not know. They wanted to bring into existence this Reserve Bank Act as early as possible, and, in view of the condition laid down in the paragraph I now read, without the Reserve Bank Bill there will be no reform or responsibility in the Centre. Why it has been put off I do not know, nor do the Select Committee give any reasons. They say:

"Although we agree that no specific date can be inserted for setting up the Bank"—I do not know why they have said so,—but they agree, and they are probably right,—but surely we in this House ought to be given some inkling of the reasons which induced them to agree that the Bank should not come into existence immediately:

"We desire to represent strongly to the Government that the Bank should be set up with all possible speed"

—that is to say, irrespective of the date when the new Constitution will come into force. Sir, the amendment admittedly looks to the future. What it wants to bring into existence is a condition of things which will apply after the new Constitution comes into force, but the Act is intended to be brought into force immediately, and work it for some time, and work it successfully too, if you take literally the words of the paragraph that I have just now read, before you can ever think of any Constitution being brought into existence and responsibility given in the Centre. How are you going to provide for that remembering these conditions? Let us look into a few of the clauses that will work after the new Constitution comes into force. Sir, it has been stated,—I suppose more out of fun than anything else, that in 88 places the Governor General has been mentioned in the Bill . . . .

**An Honourable Member:** It has been mentioned in 92 places.

**Raja Bahadur G. Krishnamachariar:** It is said in 92 places, I stand corrected. But, Sir, if you refer to these 92 portions in the Bill, you find that most of them are of such a nature that it is absolutely indifferent whether it is the Governor General himself or whether the Governor General acting with the advice of his Ministers or whether the Governor General with all the Members of the Executive Council or at the bidding of the Secretary of State. Take, for instance, clause 17 which gives details as to how the business should be conducted. Surely, somebody or other should represent the Government of India in order to do those formal things, and what does it matter if the Governor General himself does it or the Governor General in Council does it? As a matter of fact, the whole trouble lies with clause 8, which provides for the appointment of the Governor and the Deputy Governors, and clause 15, under which the Governor General would make the appointment in the beginning. I should like to ask my Honourable friend—I have not studied the further amendments that have been put forward,—is he going to ask for an amendment to clause 15 which says that the Governor General shall make the first appointment of the Governor, the Deputy Governors and all the Directors? He ought to have asked for that consistently, and if he does not do it, now listen to what happens. He says, the Governor General acting with the Finance Member,—he does not say, Minister, as my Honourable

[**Raja Bahadur G. Krishnamachariar:**] friend, Mr. Ranga Iyer, wanted to correct him—acting with the Finance Member shall make this appointment. Is that correct? The position under the Government of India Act now is that the Governor General in Council shall make the appointment until the new Constitution comes into force . . . . .

**Mr. C. S. Ranga Iyer:** I think what I was mentioning was this. We are in a very difficult position in regard to this legislation. Though it will be passed by this House and we have to introduce our amendments in the light of the existing Constitution, still our amendment is meant for the future Constitution, and, as the present Finance Member who faces us today in this House, whether he enjoys our confidence or not, is going to be split into two, namely, a Finance Minister or Finance Member on one side and a Financial Adviser on the other, we have to make it quite clear that we do not mean by Governor General in his discretion Governor General acting on the advice of his Adviser or the Secretary of State, but Governor General acting on the advice of the Finance Minister who will face us and who will be responsible to the House unlike the present Finance Minister who is not responsible as the Financial Adviser will not be responsible.

**Raja Bahadur G. Krishnamachariar:** I thank the Honourable Member for it, but the Bill ought to be framed on the principle, sufficient unto the day is the evil thereof. No doubt you are entitled to safeguard your rights under the new Constitution. But you have mistaken your methods. This is not the place, this is not the Bill, and these are not the methods by which you can safeguard your rights. I am entirely at one with my Honourable friend and with all the Members on this side that we want to safeguard our rights as much as possible. We want to safeguard against the position that if the Governor General at his discretion means somebody pulling him from across the seas 6,000 miles away, we do want to prevent it. But, Sir, the arguments that I have been trying to lay before the House—I am afraid I have not been able to make myself properly understood. . . . .

**Mr. C. S. Ranga Iyer:** I am afraid it is the quintessence of technicality and we want you to use your great legal brain to help us out of this difficulty, how to prevent the calamity that is facing us as foreshadowed in the statement of the Secretary of State before the Joint Parliamentary Committee that the Governor General will be acting at his indiscretion. (Laughter.)

**Raja Bahadur G. Krishnamachariar:** I had proposed to deal with it at the end of what little I meant to submit. I am afraid that that is a point on which I am not able to give any encouragement to my Honourable friend because for three days I have been thinking about it. I am going to deal with it and I have tried to invoke the assistance of the best parliamentarians and, so far I have not been able to frame an amendment which would be in order in all the relevant clauses, by which this calamity may be prevented by this House, because, unfortunately, one of the conditions upon which we are working is that we cannot lay down any provision detracting from the powers of the Imperial Parliament.

THE RESERVE BANK OF INDIA BILL.

That is the only position. I am now proceeding on the assumption that if the Imperial Parliament is so minded that these powers are going to be given to the Governor General at his discretion—shall I propose an amendment here:

"Provided, however, that no provision in the Constitution Act shall be made which detracts from the power of the Governor General acting with the advice of his Ministers?"

That I want to be contained, but it is absurd, no one in his senses, standing on the floor of this House, with the limited power that this House enjoys, can make that proposal, and, unless you make that proposal, you cannot attain the object that you have in view. That, I understand, is the reason why Sir Cowasji Jehangir said, it is no good having this discussion. On three occasions all the Round Table Conference gentlemen who went from here—I have no doubt—put forward this position with great firmness and probably with a united front. Sir Cowasji Jehangir admitted that we have failed so far, because the White Paper in clause 119 makes the proposal that provisions relating to currency and coinage shall, under the existing Constitution, be brought in before the Legislature with the consent of the Governor General in Council but later with the consent of the Governor General at his discretion. That is the proposal made in the White Paper, and that probably is the thing towards which they will go. But how on earth are you going to say: "Don't make that provision here." That, Sir, is the reason why my Honourable friend Sir Cowasji Jehangir, said: "What is the good of troubling yourself about it?" Another power, 6,000 miles away, pulled on the one side by the Right Honourable Winston Churchill and on the other side by all our eminent friends who went from here is in a perplexity, and that is why in that statement that my Honourable friend, the Finance Member, placed before the Select Committee, he said that this matter was under consideration. And I take it that if Sir Tej Bahadur Sapru's forecast is right, we are not going to get one portion modified unless we transfer our scene of battle to England and shout even more loudly than the Right Honourable Winston Churchill and make one last desperate attempt to see if we cannot get our object fulfilled. I know Sir Cowasji Jehangir is a great optimist; he ought to be. He was born with a golden spoon in his mouth and he has never understood what the troubles of the common folk are. He has got great faith in himself and in the country. I have got great faith too, but the time that he thinks of is a time at which unfortunately I shall not be alive and I am not at all sure that he would be alive, may God give him 120 years of age, but still I am not sure that he would be alive when that millennium arrives when a joint responsible ministry all go up to the Governor General and say: "You do not agree. All right, we walk out." The Governor General calls in another Ministry, and those gentlemen say: "You do not agree with us. All right, we walk out", and then the whole thing comes to a standstill. That is the position no doubt which would be created, but it takes time. All these things will come in due time. Therefore, I am afraid that I cannot agree with my Honourable friend, Sir Cowasji Jehangir, that because 150 years later, this position is going to come. I am going to allow my country to suffer for the next 150 years. That, Sir, is only by the way. But, as I said, I thank my Honourable friend for the compliment, or whether he intended it otherwise I do not know.

**Mr. O. S. Ranga Iyer:** I intended it genuinely as a compliment.

**Raja Bahadur G. Krishnamachariar:** Thanks very much. I hope I deserve that compliment, but, as a matter of fact, legal brain or no legal brain, I have been trying to find out if there is any way by which we can circumvent those gentlemen over there and get an amendment made here which will make the London City interests, which they say are behind all this camouflage of a Governor General at his discretion, blink and say: "Hallo, here is something which outdoes us." Unfortunately I have not been able to do so and I assure my friends that I have not confined my attempts to merely thinking it over, but I have consulted some of my friends who always pretend that they are masters of parliamentary procedure just to instruct me how I should go on. I do not think I will be successful, because the position is plain. As I said, the whole trouble is with reference to the appointment. Now, in the beginning all the Directors are going to be appointed by the Governor General in Council as they exist. I should be sorry to enter into the question of confidence or no confidence. Sir, I have had some experience of Englishmen who have been in very high positions, of course in a backward place, but I give it as my experience in this House that when once an Englishman undertakes service, you have not got a more loyal servant. He serves you irrespective of what comes to him and, therefore, whether anybody has or has not any confidence, this question of the appointment of the first Directorate may safely be left to the Governor General in Council, and if you are not going to do it, what are you going to do? Are you going to give it only to the Governor General and to the Member in charge of Finance? You say you don't have any faith in Sir George Schuster, but unfortunately you cannot dismiss him. If you pass this amendment, and, I am glad to say, it is not going to be put, the appointment will be in the hands of the Governor General as advised by the Member in charge of Finance, who is Sir George Schuster for the time being, in whom you say you have no confidence. That, Sir, if I may respectfully say so, is the absurd position to which they reduce themselves and, as for the Governor General appointing these people with or without the advice of the Council, I am not sure that all the appointments made by the Governor General in Council have turned out to be very bad. The Secretary of State, I believe, selected Sir Frederick Whyte as the first President of the Assembly and although some persons whispered at the time that this was not a right thing to do and that we should have been allowed to elect our own President, after all that appointment did not prove to be a misfortune to the country. I believe he did introduce some very sound conventions and traditions for this House to follow. Consequently, I think that in view of the conditions necessary for bringing into existence a Reserve Bank and make it work successfully if you want to work on business principles, then, in the first instance, I think it could be safely left in the hands of the Governor General and the Governor and the Deputy Governor, or if there are two, and I hope there will not be two, will be appointed by the Governor General. If these gentlemen are going to be incompetent, they will soon be got rid of or they will get away. I have the highest opinion of the intelligence of our people. They have occupied the most distinguished positions and, coming as I do from one of the Indian States, I can say, it is there that the full extent of the statesmanship of an Indian is displayed and exercised to the chagrin of the authorities in British India. Instead of taking one big jump into what is unknown, I would very strongly advise that the Governor and the Deputy Governor should be appointed for some time at least by a person

who, according to the elegant phrase of my friend, Mr. Yamin Khan, would be above the aggression of relations, sisters-in-law and brothers-in-law. Therefore, as I said, the whole trouble arises over the appointment, I think for God's sake, we shall not trouble ourselves about the appointment. I take it that we want a Reserve Bank with all its faults and, if we wait till the whole thing is perfect, I am afraid, according to the language that we use in the vernacular, you must wait for the day after the doomsday. If we had established this Reserve Bank six years ago, we should not be fighting here whether it should be the Governor General or the Governor General at his discretion and all that sort of thing. We should have gone far ahead. If this amendment is accepted by this Honourable House, you come to a *reductio ad absurdum*, because, under the existing Constitution, you cannot make a provision of this kind even if it is desirable to do so and, in the future Constitution, it is not possible for you to anticipate what will be done. There has been some little heat to which I referred in the beginning of my observations and I think I can come to the rescue of all these gentlemen who have shown such strong feeling regarding this power, whether it should be the Governor General in Council or as advised by the Finance Member. Proposal No. 119 was staring them in their face. I know that proposal No. 119 is given only as a proposal. The Secretary of State or, whoever is responsible for the White Paper, says in the introduction:

"It should be made plain at the outset"

and so on, and later on it says:

"Nor must it be assumed that the present proposals are in all respects so complete and final that a Bill would contain nothing which is not covered by this White Paper. At the same time it is hoped that it would help to clarify";

and so on. Sir, I do not want to claim the role of a prophet in this House, for it is always wise to follow the dictum "Never prophesy unless you know". As I said in my own humble way, although this bait is thrown to us, the White Paper is not going to be modified. Now, we should all be thankful if at least the White Paper proposals are passed, considering the opposition it has raised and the howl that has been made by Mr. Winston Churchill and Company. I suppose we must be thankful if we get at least the White Paper proposals, and Sir Tej Bahadur Sapru has said that we are not going to get one step further beyond the White Paper and it is also the opinion of Sir Cowasji Jehangir, although I do not know what exactly it is going to be. According to these proposals, as I said, in future, the control over finance would be, that is to say, the introduction of any measure regarding currency and credit, would be with the previous assent of the Governor General at his discretion. Those gentlemen, who met in Committee, being confronted with the proposal No. 119, said so. There is no reason to get angry over it. I believe it is the procedure in the Judicial Committee of His Majesty's Privy Council that whether there be any dissentient or not, there is only one judgment. This much is sure that at least the majority agreed and it is brought out as one judgment in which every Judge who took part agreed. On that analogy, I consider that the proposal made in the Committee in London, whether it represents anybody or there were dissentients, had to be made in connection with the existing conditions that were placed before them, and one important condition was this clause 119. I think I have made the position clear as to why, even if this amendment

[Raja Bahadur G. Krishnamachariar.]

should be allowed to go to the vote it would land us in an *impasse*. So far as the existing Constitution is concerned, it would not be desirable or advisable to have this sort of thing, and, as for the future, I would only crave leave to invite attention to this last portion of the Secretary of State's statement made through the mouth of the Honourable the Finance Member and which is printed at page 19 of the Select Committee Report. Now, there can be no doubt and my friends cannot doubt the fact that, in view of the position that I have tried respectfully to lay before this House, namely, that as this Bill ought to be framed and has been framed to suit the existing Constitution, there ought to be an Adaptation Clause. The Finance Member says:

"If the British Government's proposals for the Constitution are accepted by the Joint Select Committee and if the Constitution Act in the Adaptation clause were to declare that certain powers exercisable by the Governor General in Council under the Reserve Bank Act were to be exercised in future by the Governor General at his discretion, and if, in future, it were desired by agreement that any particular power or powers thus provided should be exercised by the Governor General on the advice of his Ministers and not at his discretion, then legislation giving effect to it would be an amendment of the Constitution Act."

Now, what is the flaw in that? I am not here to defend the Secretary of State or the Government of India. The Government of India are quite strong enough to take care of themselves and when reason fails to get what they like through their official bloc. But this position, as a matter of law, as a matter of legislation, as a matter of bringing into existence a new Constitution with reference to enactments already passed is absolutely unimpeachable. The conditions laid down by the Secretary of State, although they may be all eye-wash, that is, although he says that the Joint Committee if they agree, and His Majesty's Government if they agree, and the House of Commons if they agree, with the certainty that they would agree to it, yet the legal position is as stated by the Secretary of State. I know that if these proposals are made the huge majority that the Cabinet now commands, the House of Commons will not go behind their advice notwithstanding the shouts of all those gentlemen who bring about dramatic scenes outside in the country. That may be so, but even the Secretary of State, even if he was the master of the situation, has, even if he knew these things would come to pass, to say this. How much then can we, less powerful than he, do to ensure that set of circumstances? While, therefore, it is perfectly clear that we do not want this provision at present and, in connection with this Bill, I confess to my inability to see that either this amendment will carry into effect our object or in fact any amendment of any nature would, so far as I have been able to understand. That, Sir, is all I have to say.

**Mr. C. S. Ranga Iyer:** Sir, I do not find my friend, Mr. Yamin Khan, in his seat and I am sorry, for he had made a very strong speech and I thought that when he so vigorously defended not only the particular provision to which we take such strong exception, but also everything that they did in London, he would have liked to listen to the reply. Sir, so far as the personal part of the controversy is concerned, I could have never imagined that my very innocent-looking friend, the Honourable Member from Bihar, Mr. Gaya Prasad Singh, was capable of causing so much disturbance on the floor of this House.

**Mr. Gaya Prasad Singh** (Muzaffarpur cum Champanar: Non-Muhammadan): Why do you say "innocent-looking". Why not "innocent"?

**Mr. C. S. Ranga Iyer:** I accept the amendment. He looks so innocent, because he is innocent (Laughter); and a very innocent observation created almost a chaos in "this Honourable House" as my friend, Sir Cowasji Jehangir, is so fond of saying. Sir, I thought we were almost passing the bounds of honour when one Member started saying to another Member:

"His honour rooted in dishonour stood,  
And faith unfaithful kept him falsely true."

**An Honourable Member:** Wait for Mr. Yamin Khan.

**Mr. C. S. Ranga Iyer:** I think I must accept the advice of the Leader of the Opposition that I should not go ahead further and must await the return of the prodigal son, but who then is the fatted calf. (Laughter.) Without taking sides, I can only say that Mr. Gaya Prasad Singh revealed how the shadow of a starless night was thrown over the world in which my friend, Diwan Bahadur Mudaliar, moved alone. He almost threatened to repudiate his own signature the very moment his colleague, the Leader of the Opposition, said that if this motion were pressed to a division, he proposed to honour his signature. Fortunately, Sir, your ruling saved a situation which even we, however close or distant spectators of the doings of a great Committee, would not have liked to see, for scencial situations on occasions like this should be avoided. My friend, Mr. B. Das, would perhaps have something to say on scencial situations, because he is capable of creating them, but I never thought that the neighbourhood of Orissa was so infectious to Bihar. (Laughter.)

Sir, the Honourable the Finance Member almost cautioned us in one of his earlier speeches that he disliked eloquence on occasions of this kind. Probably, in a political House strictly legal speeches, like the one that preceded this, might be more welcome to him, but he understands not his own eloquence, for every phrase of his, every thought of his is delivered with the polish, if restrained because he sits on those Benches, and the eloquence of a very great orator. (Hear, hear.) He only does not raise his voice, because he has attended the school of elocution in England; at any rate, without attending that school, he has attained eloquence which, had his role not been differently written, might have been shown in the House of Commons itself. Now, Sir, that he is going back, may I wish him the career that he once aspired for and which would lead him very far indeed, almost to the position, why not the position itself, of the Chancellor of the Exchequer. (Loud Applause.) We only hope that in this country we will have a Finance Member in the future, an Indian who will fight our battles with the ability with which the Honourable Sir George Schuster has been fighting the battles of the Government; and if we could be confident that we could have a Finance Member like that who would stand no nonsense from the Financial Officer of the Governor General, then there would have been no necessity for this amendment. Unfortunately, we cannot see through the chaos of the White Paper Constitution, what with the provision of one-third nominated Members from Indian States because the latter have not yet reached the stage which the provinces have reached, and the other provision of a Financial Adviser whose functions, when the Constitution in legal language

[**Mr. C. S. Ranga Iyer.**]

is drawn up, will justify the moving of this amendment. In this connexion, we have had sufficient indication in the speech of Sir Samuel Hoare, the Secretary of State. I blame him not; he is more "responsible" than the Honourable the Finance Member. The Honourable the Finance Member does not enjoy the confidence of this House; the Honourable the Secretary of State does enjoy the confidence of the House of Commons: and when I say 'confidence', I use it not in a personal but in a parliamentary sense. If we defeat the Honourable the Finance Member, as we have defeated him in the past on a first class issue, he does not resign and seek re-election or resign his job altogether. If he does not enjoy our confidence, it is because his Government including every Indian Member sitting on the Treasury Benches, do not enjoy our confidence. We are elected Members; they are nominated and inevitably nominated, because they are part of the system; that system cannot be separated from them. Honourable men, gentlemen, able men, we adore them; we admire them; but we are here dealing with them as the Members of a Government against which we have been waging war day after day in and outside this House. (*A Voice:* "A wordy war.") Yes, a wordy war, a constitutional war so far as this House is concerned. But so far as outside this House is concerned, something has gone beyond words and has taken the shape of deeds. Whether those deeds are approved by us or not, a war is raging. In response to that war, the British Government have made an earnest attempt to rally the Moderates. But trying to rallying the Moderates here, the Government are being harried by their own extremists there. That being the case, the Secretary of State is between the devil and the deep sea. A conservative himself, he has produced and is producing a Constitution which he likes, but which we do not like. Let there be no mistake about it and I tell Raja Bahadur Krishnamachari, with all the strength that I can command, that we do not like this White Paper scheme.

**Raja Bahadur G. Krishnamachariar:** I have never said you do.

**Mr. C. S. Ranga Iyer:** He did not say that he liked the White Paper scheme and I never said that, but I was going to say that he wants us to accept, by not moving this amendment, the implications and the complications of the White Paper scheme. One fact has, however, arisen from the White Paper scheme, namely, that the Viceregal Government is decorated with extraordinary powers unknown to any other Constitution in the civilized world. As that Government is to continue to be a subordinate branch, as Lord Curzon chastely described on a former occasion, of the Imperial administration, even so this Legislature must be a subordinate of the British Parliament.

**Raja Bahadur G. Krishnamachariar:** Lord Morley said that and not Lord Curzon.

**Mr. C. S. Ranga Iyer:** My friend, the Raja Bahadur, can never be inaccurate. He is perfectly right when he said that Lord Morley used that phrase. I only say that Lord Curzon improved it on a historic occasion and made it classical when a little row took place between the Viceroy here and Lord Curzon there as a Member of the Cabinet. Lord Curzon was not original; he was only building upon the liberal wisdom

of John Morley. So far as British politics are concerned, I have come to consider from recent knowledge of England that it is completely doped and when Raja Bahadur Krishnamachariar said: "Carry on an agitation in England"—I can only say what I may not have said seven years ago that as there is a seething antipathy against Englishmen in India, even so Churchill, the *Daily Mail* and the *Daily Express* have succeeded in creating antipathy against Indians. I deplore it. Wise men on both sides deplore it.

**Mr. B. Das** (Orissa Division: Non-Muhammedan): I do not deplore it.

**Mr. President** (The Honourable Sir Shanmukham Chetty): He said wise men deplore it. (Laughter.)

**Mr. C. S. Ranga Iyer:** I know that Mr. B. Das and men of his way of thinking welcome it. The extremes, as I was saying, meet. I am not, however, speaking about the meteness of extremes. All that I have got to say is this. That being the case, if we miss an opportunity on the floor of the House to have our say in regard to this provision, we will be allowing judgment to go by default. My friend, Mr. Yamin Khan, was confident. He spoke with a certain amount of optimism. I know he is an incorrigible optimist. That is his strength, but that may also be his weakness, for in the Railway Committee—and here I am not disclosing private matters for the report of that Committee has been published—when the question arose as to whether we should give a *carte blanche* to the Governor General in the future, Governor General acting in his discretion, Members of this Legislature spoke almost with one voice and one mind as recorded in their minute of dissent. They wanted the Governor General acting on the advice of the Minister in charge. There were experts, legal and railway and other, in the India Office and in the neighbourhood of the Committee and in the Committee itself, and not one of them objected to our saying so in regard to the future constitution. I, therefore, cannot understand legal experts with all their legal knowledge standing on the floor of this House and saying: No, Mr. Mitra's amendment must not be passed, for, as the Raja Bahadur pointed out, it is not strictly legal. There is a legal difficulty about it. I know my lawyer friends are in the habit of getting into cobwebs of their own creation. The Raja Bahadur was trying to get out of it, but would not help us, because he did not think that this was quite the occasion to help us. He started upon premises which we attack: his foundation was this: "Accept the superiority of the British Parliament." We cannot accept it any more than the South African people can accept it, and the future Constitution of India will be interpreted in action as the future alone can show. The future Constitution of India will be interpreted in the light of the Statute of Westminster. Let there be no doubt about it.

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Westminster. Let there be no doubt about it.

**Raja Bahadur G. Krishnamachariar:** I thought my Honourable friend said the other day: "Why fight, take what you get now", but today I think he has changed his mind or what.

**Mr. C. S. Ranga Iyer:** Not at all. That shows that my Honourable friend did not listen to the whole of my speech. I said: "Fight, continue the fight and lay the foundation of the fight here for the future, but do not unnecessarily go further than is necessary to fight". That is all what I said.

**Mr. F. E. James** (Madras : European) : Do not bang your head against a stone wall.

**Mr. C. S. Ranga Iyer** : My Honourable friend, Mr. James, and his countrymen are banging their heads against the stone wall, namely, safeguards, and they are banging their heads too much and too unwisely and he will find in the near future too disastrously. For, can you work a Government by safeguards? The guards will be found to be not sufficiently safe when the men against whom the safeguards are put come into the Legislature, when the men against whom the safeguards are created occupy the Treasury Benches and when the Financial Adviser gives one advice to the Governor General and the Finance Minister gives another advice on the floor of the House. Whatever might happen in regard to this motion, it may be withdrawn or it may not be withdrawn, that leaves me cold, but I want to make it very clear on the floor of the House that we, the representatives of the people, do not propose to miss every little opportunity to secure for our country its indefeasible right of unrestricted financial autonomy. We have been asking for it for years, from the Industrial Conference platforms representing the industrial patriots of the land, from Commercial Congresses—leave alone the National Congress—every commercial patriot and every industrial patriot has been asking for fiscal control and financial autonomy, and if all this is going to be left in the discretion or in the indiscretion of a Governor General, the nominee of a foreign Government and responsible to foreign authority protected by all the authority, by all the privileges and by all the rights that White Paper scheme gives, if we are to bow to the mandate or the ukase of the Governor General of the future, I will say that we will be writing the epitaph of Indian Nationalism. (Hear, hear.) We are not banging our head against a stone wall, we ask you to remove that stone wall with the help of which you, protected for the time being temporarily, thwart the Indian people from coming into their own. (Hear, hear.) Well, Sir, stone walls do not, to them, a prison make and I must only make it quite clear that these stone walls like the walls of Jericho will fall (Hear, hear), these stone walls will fall because of the imposition of these safeguards, fall after a fight—the frenzy and fury of an infuriated nation—with the Governor General, on the one side armed with the advice of the Financial Adviser, and the Finance Minister on the other, armed with the opinion of the authority to which he will be responsible. (Hear, hear.) We want to avoid this chaos, we want Indian nationalism to evolve itself in an understanding spirit, we have had enough of those troublous days, many of us have passed through them; Mr. James is a new man to this Legislature, he did not have the opportunity of going through those unfortunate struggles. Do you want to see them repeated on the floor of the House? I have had enough of it all, I do not even look forward to a legislative career in this country, I am pretty fed up with it, I hope to retire to my own little village and do some literary work leaving it to Mr. James on the one hand and (*A Voice*: "Mr. Yamin Khan") those gentlemen (Interruption)—please do not interrupt me—my Honourable friend was saying "Mr. Yamin Khan". I am not haunted by Mr. Yamin Khan every minute of my speech. Let me have my say. I was saying, Sir, before the disappointing interruption from an interested if personally inclined Member sitting in my neighbourhood, I was trying to say that we do not want to pass through those unhappy days again, for safeguards mean fight, safeguards mean sowing the dragon's teeth and, if things were to be as they have been, Mr.

James on the one hand and the National Congress representatives on the other can fight it out here on the floor of the House the repercussions of which agitation he can reap outside, I say the dragon's teeth are being sown in these safeguards, as if Mr. James and his countrymen would say :

"Our offspring, like the seed of dragon's teeth  
Shall issue armed and fight themselves to death."

That is the spirit when he said : "Bang your head against a stone wall". But, that is also the spirit of the people who say : "We welcome these safeguards, we want these safeguards". They want a revolution, we do not want a revolution, we want a peaceful evolution. Sir, the road to revolution is these safeguards. If, on the contrary, moderate men like Diwan Bahadur Mudaliar, for instance, who, as he told us, broke his heart for this in Committee, like Sir Cowasji Jehangir who, he said, put up a great fight in the Round Table Conference, if these men could be conciliated, what follows? We could go to the country and fight the extremists. The extremists will not be content with mere financial autonomy, they want autonomy complete, they want independence. Their slogan is : "Up, up the flag of the Congress or Independence, and down, down the Union Jack". This represents all they work for. What we aspire for on the other hand is some right, some power with which we can go to our countrymen and say : "We have got this, let us work this Constitution". That is the spirit in which we approach this debate as I was saying when I was told that you are banging your head against a stone wall. That is what Mr. Winston Churchill has been telling us all these days. I would ask my Honourable friend, Mr. James, to go and join Mr. Churchill in England instead of banging his head against a stone wall here.

Sir, I have only to refer now to the speech of my Honourable friend, Mr. Puri. When Mr. Puri concluded, hope withered and fled and when my Honourable friend, Mr. Aggarwal, began, mercy said farewell. They were polite in representing the wish of their countrymen and the will of the people. I would be dishonest if I do not admit that every word that they uttered is the opinion of the people whom we are supposed to represent on the floor of the House. Mr. Bhuput Singh, with a refreshing satire, seemed to say ; "All hope abandon ye! who enter here". I think he had the White Paper Constitution and not Mr. Mitra's amendment in front of him. Mr. Gaya Prasad Singh, I have already said, created all the heat that is occasionally necessary, for, when members of the Committee fall out, there will be some people to enjoy the fun. Now, I must come to my Honourable and learned friend from Lucknow, Mr. Azhar Ali, who has been fighting in the Congress and in the Muslim League the good fight of the country and who came into this House and said : "Beware, if you do not stand by me when I go into the lobby, woe befall you in the next election". He can never imagine, Sir, all the arrows that you had concealed up your sleeve which you presented to us this morning preventing this motion going to a division. But I must say that so far as Mr. Azhar Ali is concerned, I do not accept his warning. If I find myself in opposition to my constituents, I will oppose them if I support my own convictions. I have done it in the past, I will do it in the future, for a man who does not stand for his own opinions and convictions will not be respected by his own constituency. We have had fairly good opinion of each other having represented them in this House

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for three successive Legislatures and every time fighting—though at the last time my opponents “funked”—fighting formidable foes, and I refuse to take my Honourable friend Mr. Azhar Ali’s advice, in regard to my duty to myself the inner voice, which I exalt above my duty to my own constituents. Sir, so far as pressing motions to a division in this House is concerned, split as it is almost like a house, less of parties and more of individualists, it will have no more effect than what is contained in the slogan:

“The King of France with twenty thousand men  
Went up the hill and then came down again.”

That would be a useless futility. We must miss no opportunity of speaking out our mind and to lay down here a message to our people that, because of their folly of boycott, this Legislature was incapable of any better action than speeches. But we have this satisfaction that:

“A song that stirs a nation’s heart  
Is in itself a deed.”

(Applause.)

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

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The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

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**The Honourable Sir George Schuster:** Sir, before I start my speech on this motion, I should like to correct one misapprehension. My Honourable friend, Mr. Ranga Iyer, told the House that I had expressed disapproval of eloquence or oratory. I have not ventured to express any such opinion to the House, and I should like to tell my Honourable friend that I always enjoy listening to his eloquence and oratory, more particularly when it is not turned directly against myself but on very exceptional occasions embellishing sentiments in my favour. I should like indeed to thank my Honourable friend for the very kind things which he said.

Turning to the motion, I felt, listening to the debate, that one must regard it as aiming at two purposes; first as providing an occasion for protesting against the anticipated constitutional position after the new Government of India Act is passed, and secondly, as an attempt to provide practical means for defeating certain features which it is anticipated will be introduced by that Constitution. So far as the first purpose is concerned, we can appreciate very fully the feelings of Honourable Members who have sought to advance it. I shall have something more to say on that subject later. But, so far as the second purpose is concerned, I am afraid that I must take the line that the actual amendment proposed would in fact be entirely ineffective. I had looked forward to pointing out some matters to which you yourself, Sir, have called attention. I had at first thought it was rather a nice idea—this new little body consisting of the Governor General and myself settling all these matters without reference to our colleagues; but as you, Sir, also did, I found on

examining the matter that there were other sides to the idea, and I pictured myself when I came to advise His Excellency as to how he should perform the obligations under clause 35, saying to him: "There it is; you have to transfer all your gold, Sir"; and he might have said to me: "I have handed everything: do you think I need put in this signet ring of mine which I value very much?"; and I would have had to say: "I think you must fulfil your statutory obligations." (Laughter.) We might perhaps have got out that difficulty, but, I confess, when I came to clause 46, where His Excellency had to provide five crores of Government securities, I felt that we should be involved in a complete impasse. (Laughter.)

Sir, you have made all that part of my speech unnecessary: And it is not only on those grounds that this amendment is ineffective: other grounds have been very ably pointed out already by various speakers. Even if this new authority could be set up, nevertheless as you, Sir, yourself pointed out in your ruling, it could not exercise its powers in a way which would trench upon the powers of the Governor General in Council as provided for in the Government of India Act, and, therefore, in anything that it could do, it would be subject to the overriding control of the Governor General in Council. That affects the position so far as the present Constitution is concerned; and, as regards the future, as my Honourable friend, the Raja Bahadur, pointed out, nothing that we can do here can alter the effect of the Adaptation clause in the new Constitution Act. But, quite apart from that, I think Honourable Members will recognise that, if it were really to be effective, it would be an undesirable provision, because, in the future Constitution, it would completely undermine the whole principle of joint ministerial responsibility: and that, I feel sure, is a principle which Honourable Members on all sides of the House would wish to have maintained. I am indeed a little puzzled as to why this amendment was suggested in exactly its present form, as to why in fact it was not stated straight out that it must mean the Governor General acting on the advice of his Ministers, for that, after all, is a definite constitutional position and an expression which has a definitely understood constitutional meaning. However, even if it had been put forward in that form, it would, of course, have been a clause to which no effective power can be given by this House in the new Constitution. I think that is all now generally recognised, and, therefore, I want to turn to the few remarks which I have to make on what I described as the first of the two purposes which must have been behind those who moved this amendment. I have already said that I fully appreciate the feelings of Honourable Members who say to themselves: "Here is this measure which we are asked to pass, and now that we are dealing with it, we do not know what are to be the terms of the new Constitution Act: we do not know what authority is to succeed under each clause to the Governor General in Council, and, therefore, until we see the Constitution Act, we would rather not proceed with this measure." I can also fully appreciate the point of view of those Honourable Members like my Honourable friend, Mr. Neogy, who say: "If we are not to be free to legislate in this matter, if our powers of legislation are to be restricted in order that they may fulfil the requirements which will be laid down by Parliament as regards this particular constitutional safeguard, then we would rather take no responsibility in the matter at all: we would rather say to Parliament 'If you wish to call the tune, then let the Parliament be the authority which passes this legislation'." I can understand both-

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those points of view, but the practical result after full reflection on that in my mind is one which differs from my Honourable friends who have spoken in that sense. I feel that it is so important that this measure should be passed at once, so that we may have practical experience of the working of this Bank, that in spite of all the objections they feel it is the right policy for this House to pass the measure, and, in answer to my friend, Mr. Neogy, I would say that although certain conditions must be fulfilled, nevertheless this House has so much latitude within which to alter the measure that it is really valuable that it should be considered here, and that, in fact, it could not possibly be considered adequately by the British Parliament. Sir, on that point, I entirely differ from the line taken by my Honourable friend, Mr. Puri, who spoke yesterday. He said in fact that India was asked to provide the cloth with which to make a certain coat, and that having done that, they were to make that coat according to a certain pattern. I think what has happened in the various stages through which this measure has passed and still has to pass, Honourable Members will be able to see that very wide powers are left to the Indian Legislature in this matter. I would say, in fact, that His Majesty's Government have said: "You make yourselves a coat, cut it on any pattern that you like, but the only thing on which we must insist is that it is a serviceable coat, it must be a coat which will protect you from certain things". That, Sir, I think, is a much fairer pictorial account of the position than that given by my friend, Mr. Puri.

Then, Sir, there is one other remark which has been made in the course of this debate on which I wish to hang a few observations. My friend, Mr. Gaya Prasad Singh, said that we ought to see in this Resolution the crystallisation of all the suspicions which are felt by Honourable Members opposite. Sir, I think that is a very unhappy idea. At this stage we do not want to crystallise suspicions, we want to dissolve them. And if we are talking in metaphors, and talking about suspicions, I think possibly a biological metaphor may be more suitable than a geological one. Suspicions breed suspicions, and I would tell my friend that every suspicion which is born on this side in India a whole family of suspicions is given birth to on the other side. . . . .

**Mr. K. C. Neogy:** And vice versa.

**The Honourable Sir George Schuster:** I would tell my friend that there are crowds of people on both sides, prowling about like the hosts of Midian, full of suspicions, waiting to fall upon the constitutional plan which is now being evolved. I would tell my friend that in between those two undesirable hosts, there is at work now a devoted set of men, both from India and from England, who are really determined to produce a measure which will give India what she wants. I would tell my friend that those who are really of value to India today—those who show real courage,—are not those who harbour these suspicions, but those who are trying to find out some way of producing a constructive plan which will command assent on both sides and in both countries. Sir, when people talk about butting their heads into a brick wall, I think, that again is a very misleading metaphor. What we have got to remember in this case is that there are necessarily two parties to this constitutional transaction which

we are trying to evolve. It cannot be evolved entirely by India as a unilateral operation on her side. There must be some measure of agreement, and that measure must command support, political support, in England. That is a necessary result of the history which has led up to the present state of affairs. It is not, therefore, a question of butting one's head against a brick wall, it is a question of finding some means of satisfying the legitimate point of view which may be held on the other side. And I say again that those who are showing real courage and really serving India, are those who are helping to find some basis of common agreement.

We have had a good deal said about this London Committee, and I was very unhappy myself that any sort of controversy should have arisen out of anything that was said as regards the discussions that took place in London, because I had hoped myself, and I still intend to do it, to pay a tribute to those who took part in those London discussions. My friend, Diwan Bahadur Mudaliar, needs no defence from me. He is perfectly able to defend himself. My friend, Mr. Yamin Khan, also needs no defence from me. He is quite able to tell the House what sort of man he is and what he stands for, but, Sir, about both of them,—and I will not mention any more names, although I have in mind all those who took part in the discussions in London,—I would say about both of them and about all the rest to this House, that they really have done a very great service to India (Applause), and in going some way to meet the demands of the other side and in helping to find a common basis of agreements, they have served this country far better than some Honourable Members appear to realise. At times like the present when we have got to the stage where the British Parliament is working out a constitutional plan, what helps India is anything from this side which will help to allay the suspicions, quite unreasonable suspicions, no doubt, that are held on the other side, and in the last two years I can testify from my own experience and my own knowledge of the reactions in England that this Legislature has done a very great deal to create confidence in England and to allay suspicions.

A good deal of criticism has been uttered in this House on a matter like the Ottawa Conference and the Ottawa Agreement. I can assure Honourable Members that no single incident has done more to help the constitutional discussions in England than the credit which the Indian delegates earned for themselves at Ottawa and the way in which this Assembly dealt with that Agreement afterwards. And now, there may be ranked in almost equal importance with that, the impression created by the Indian representatives who took part in those discussions about the Reserve Bank in London. It is so easy for Honourable Members over here to parade as patriots the people who are at all times intransigent and who will never give way; but, Sir, people of that kind are accomplishing nothing for India at the present stage, and those who are ready to try and find common ground are, as I have already said, doing real service. I know,—because I know the other side of the picture and have seen it and been behind the scenes,—I know that many concessions were made, many positions were accepted on the British side in those financial discussions with extreme reluctance and with a good deal of misgiving, but they had to accept them, because the Indians who were present there at all times discussed these matters in such an essentially reasonable spirit that it was impossible to find ground for continuing suspicions or for refusing to go some way to meet them. That, Sir, I think should be recorded as a real service.

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Then, I have only one other subject on which I wish to touch, and that is as regards the future. We have heard a great deal said in terms of suspicion about what the attitude of the Governor General in future will be—the Governor General acting at his discretion. Sir, I class myself among the optimists like Sir Cowasji Jehangir and not among the pessimists like my Honourable friend, the Raja Bahadur. I am convinced that Sir Cowasji Jehangir's appreciation of the position is the right one. I am convinced that on all future occasions where the Governor General has to exercise his discretion in these matters, he will inevitably consult his Ministers and he will inevitably be guided by their opinion. And I go further and say, if those powers are exercised in a way which does not command the support of Indian opinion, then the whole Constitution will break down. As regards this Reserve Bank in particular, if it cannot establish itself in a position which commands the confidence of Indian opinion, it will become a completely useless instrument.

Now, Sir, I think Honourable Members should rely on those facts. They should have some confidence in the future, and having reached this stage they should say: "Give us this Constitution and let us work it." If I might offer a humble opinion today, my words of advice would be: "Take this Constitution. Go forward and work it. Take this Bank, give it a chance of being started, and prove to the people on the other side both that their suspicions are ungrounded and that safeguards are unnecessary." That, Sir, is the sane view of the position. There are, of course, times when attempts at accommodation are not the method to achieve what one wants and when, if justice is not done, some more drastic action may be required. But this is not the time for that sort of thing.

Now, Sir, I have been speaking of what I have called one of the purposes that I feel underlines the attitude of Honourable Members opposite. They wish that it should be realised that they view the unfettered discretion of the Governor General to intervene, as they fear, possibly not in the interests of India in the appointments, and so on, and under all the other heads where he has power to exercise his discretion in connection with this Bank—they feel that that is a situation which they cannot with self-respect accept. They wish that what they have said on this matter should be appreciated by His Majesty's Government and Members of Parliament on the other side. Although I have said that in my view all the suspicions which they hold are ungrounded and that in practice they will find things working very differently, nevertheless we shall certainly regard it as a duty lying upon us to convey all that has been said in the course of these debates to the Secretary of State so that it may be appreciated by His Majesty's Government. (Cheers.) And we will make a special point of calling attention to what has been said in the course of this particular discussion on this particular amendment. I think, Sir, that that ought to satisfy Honourable Members who have spoken that they have not spoken in vain, and I hope that whatever they may say now, they may feel that in this measure they have something as regards which they have taken by far the greatest share in framing its form, and, again, that in this measure they have something which is going to help towards the realisation of those ideals which we have all in view. (Applause.)

**Mr. N. N. Anklesaria** (Bombay Northern Division: Non-Muhammadan Rural): May I put a question to the Honourable Member before we take

leave of this subject? On the 18th September, 1933, I said on the floor of the House as follows . . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member might put the question.

**Mr. N. N. Anklesaria:** The question involves a quotation from my speech, and I wanted to ask the Honourable Member whether he will bear me out or contradict me on the floor of the House today.

**Mr. President** (The Honourable Sir Shanmukham Chetty): What the Honourable Member has said is on record and he need not be contradicted or confirmed by any other Honourable Member in this House.

**Mr. S. C. Mitra:** May I put a question to the Finance Member? May I enquire from him how far the Secretary of State has accepted the compromises that were agreed to by the London Conference itself, particularly about the application of the term "Governor General", as to the occasions where it should mean "Governor General at his discretion", and as to other occasions where it should mean "Governor General as advised by his responsible Ministers"?

**The Honourable Sir George Schuster:** I am glad that my Honourable friend has reminded me. I had meant to deal with that in speaking, because my Honourable friend, Mr. Mudaliar, asked me if I was in a position to give the House any assurances on those points. I think my Honourable friend must have appreciated that neither I nor indeed the Secretary of State himself could give any assurances on those points. All I can say is that the Secretary of State will put or has already put the report of the London Committee before the Joint Select Committee. As far as I know, that has not been considered in any detail yet by the Joint Select Committee, and I should imagine that the Secretary of State would feel himself unable to give any definite assurances in advance of consideration of these matters by Parliament. So that, I am afraid, I can give no definite answer to my Honourable friend. But, as he has particularly asked this question, we will now put that point definitely to the Secretary of State and find out at what stage he thinks these matters will be considered in detail by the Joint Select Committee, and we shall add a very strong recommendation that the recommendations of the London Committee at least must be fully honoured and observed. (Cheers.)

**Mr. Vidyasagar Pandya** (Madras: Indian Commerce): May I put another question? I understand that the Secretary of State did deal with these matters and that he was preparing a list of where the Governor General "will exercise his powers at his discretion" and where he "will exercise them in consultation with the Members of his Cabinet". May I know whether that list is ready, and we can get some idea as to reason for and cases in which the differentiation is proposed to be made?

**The Honourable Sir George Schuster:** I have seen no list; the Government of India have seen no list; and I do not think that any one has got down to considering these matters in detail.

**Mr. F. B. James:** Before this question is actually put to the vote . . . (An Honourable Member: "It will not have to be voted"), would you

[Mr. F. E. James.] . . . permit me to make a personal explanation of a matter which arose during discussion? Some reference has been made by my Honourable friend, Mr. Ranga Iyer, and the Finance Member to a casual interruption which I made during Mr. Ranga Iyer's speech, and the phrase, knocking your head against a stone wall, has been I think misinterpreted

**Sir Cowasji Jehangir:** I am responsible for it. I first mentioned that expression.

**Mr. F. E. James:** . . . because of the turn which that interruption gave to the discussion.

**The Honourable Sir George Schuster:** I should like to make it clear that I was not referring to the Honourable Member's interruption at all.

**Mr. F. E. James:** As my Honourable friend, Mr. Ranga Iyer, referred to it in some detail, I feel I ought to explain the position. My interruption,—and I think those who are near me will corroborate me—referred to some words used in another connection by Mr. Ranga Iyer himself, and I did not use the words in any sense as a challenge to Mr. Ranga Iyer when he was speaking on that particular amendment. In view of the fact that these proceedings are to be sent to another quarter,

3 P.M. I am particularly anxious that this explanation should be made. I must apologise to the House for not having made the explanation earlier, but quite frankly I was spell bound by the eloquence of my friend, Mr. Ranga Iyer, and I missed my opportunity, but I do want to assure my Honourable friend and the House generally that the interruption I made was not made in the sense which unfortunately was interpreted and not without reason by my Honourable friend, Mr. Ranga Iyer. I explained to him immediately after recess the exact words which I had actually used.

**Mr. C. S. Ranga Iyer:** I am very grateful to the Honourable Member for meeting me and saying to me what he has said just now and for the explanation which he has given. I must further emphasize my gratitude to him for his interruption which has enabled me to bring out a point of view which he has appreciated himself.

**Mr. President** (The Honourable Sir Shanmukham Chetty): As it has appeared, in the course of the discussion, that the amendment in its present form would lead to anomalous results and would in any case be ineffective in many parts and for that reason is not in order, the Chair draws the attention of the House to this fact and withdraws the amendment from further consideration.

The next amendment is in the name of Mr. Pandya. Before the Honourable Member wants to move his amendment, the Chair would ask him to say how this amendment is in order because, in one part of it, he seeks to legislate for a future Constitution which is not in existence and, in another part, he seeks to restrict or take away the powers of the Secretary of State over the Governor General acting with his Councillors as conferred by the Government of India Act.

**Mr. Vidyasagar Pandya:** If some portions are objectionable, I am prepared to delete them.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The whole of it is objectionable.

**Mr. Vidya Sagar Pandya:** Then I bow to your decision.

**Mr. President** (The Honourable Sir Shanmukham Chetty): As the Chair explained when clause 2 was taken up, it shall defer putting the question to a later stage when Mr. Vidya Sagar Pandya would be given an opportunity of moving amendment No. 10 which stands in his name. We shall now go to clause 3. There are no amendments to clause 3.

The question is that clause 3 stand part of the Bill.

The motion was adopted.

Clause 3 was added to the Bill.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is that clause 4 stand part of the Bill.

Amendment No. 15, which stands in the name of Mr. Mitra, directly raises the issue whether the capital is to be subscribed by private shareholders or by Government. The Chair would allow the Honourable Member to move his amendment and, if it is accepted by the House, then all the consequential amendments would be moved, but if it is negatived, then all these amendments relating to the subscription of the capital by the State fall.

**Mr. S. C. Mitra:** Sir, I move:

"That for clause 4 of the Bill, the following be substituted :

'4. The original share capital of the Bank shall be five crores of rupees which shall be fully subscribed by Government'."

The purpose of my amendment is that the Central Bank for India should be a State Bank. This question was discussed threadbare in this House and what may be said in favour of a Shareholders' Bank has been very elaborately put forward by my friend, Diwan Bahadur Ramaswami Mudaliar, and I think it has been amply and very ably answered on behalf of those, who support a State Bank, by my Honourable friend, Mr. Neogy. So I do not like to deal in detail with the points already covered. At the very outset, I should like to make it clear that there is honest difference of opinion amongst the Members of this House as regards the advantages of a Shareholders Bank *versus* the advantages of a State Bank and, on account of that, our Party have left the matter to the free vote of the Members. I know on the Government side there may be Members who are supporters of a State Bank and I hope Government will see to the reasonableness of allowing the Members adorning the Treasury Benches and their habitual supporters to vote freely if it is possible.

**The Honourable Sir George Schuster:** Does my Honourable friend refer to differences of opinion among Government Members on the front Bench?

**Mr. S. C. Mitra:** There may be. I do not know. I expect the Honourable the Law Member, who comes from Bengal, always represents our views. Whatever may be the differences it must also be admitted that in the country at large the vast majority is for a State Bank. I see Sir Leslie Hudson is shaking his head. What I am saying is that the vast majority of those of our countrymen, whose views are expressed in the press and on the platform, prefer a State Bank. I further agree that there is not much in a name, whether you call it a State Bank or a Shareholders Bank. What we are to see is the scheme itself. A shareholders' scheme may be worse than

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that of a State Bank. That is one of the reasons why I am suggesting this present scheme. So far as I can understand, the main argument for a shareholders' scheme as has been ably put forward by my friend, Diwan Bahadur Mudaliar, is that it gives the shareholders more control over the election of the Directorate and, through them, on the policy of the whole Bank. In our present scheme, the shareholders are entitled to a dividend of six per cent. and that is one of the reasons why the shareholders may not be as much alert as they are in other limited joint stock concerns.

**Mr. K. C. Neogy:** It is also a sure dividend.

**Mr. S. C. Mitra:** As my friend points out, it is a sure dividend. They are absolutely certain whether they make any effort or not to get six per cent. dividend.

**The Honourable Sir George Schuster:** May I point out to my Honourable friend that it is not a correct statement of the position. They will be assured of a certain minimum dividend, but whether that will rise to a maximum of six per cent. is quite a different matter.

**Mr. S. C. Mitra:** Sir, the Honourable the Finance Member knows that the whole of the reserve fund will be secured by Government from the very beginning and the income from the Issue Department alone is more than a crore and a half. So, unless there is something very unnatural, there is no apprehension that the dividend of the shareholders will be less than five per cent. The other point that was made much of was the example of other countries in the world. It has been said that from China to Peru, everywhere, they are having a Shareholders' Bank. To that I can only ask in reply: "The conditions of what other country can be compared to those of this country—a vast country whose financial and political control is absolutely in alien hands"? So I strongly hold that it is a dangerous fallacy to compare our conditions with those of other countries. The circumstances of other countries and those of ours are radically different. My friend, Diwan Bahadur Mudaliar, referred to two or three of the essential conditions that obtain in the Central Banking Institution of Australia and those that are provided for in our present scheme of a Shareholders' Bank. Reference was also made to the fact that the Governor General has to decide on essential matters in the case of the Australian Bank. But may I ask my friend to compare the position of the constitutional Governor General of Australia with that of our own Governor General who is invested with autocratic powers, once enjoyed only by the Czars of Russia? That was the reason why in my previous amendment I wanted to make that position clear. If it can be ensured that the Governor General will be a constitutional Governor General and will be always advised by responsible Ministers, I know that many of the difficulties on this side of the House which is for a State Bank will be minimised. Sir, as against the State Bank, the main argument that I could find out was that it would be impossible to get a proper Board of Directors. I think that was the reason why in our 1927 scheme also in a dissentient note Sir Basil Blackett objected to a State Bank. He said in his minute of dissent:

"We were willing to consider the possibility of tolerating this anomaly if we could be convinced that a suitable electorate could be framed for the selection of a majority of the Directors, (it being essential that the majority should not owe their place to Government nomination) without recourse to the device of private shareholders and that a suitable Directorate could thus be created independent of Government and the Legislature and likely to work well in practice."

That was Sir Basil's argument for not accepting a State Bank. But, subsequently, as the Bill proceeded in the Legislature, I think he was satisfied; otherwise there is no reason why they agreed to pass clause 4 of that Bill which was for a State Bank. So, I think, it is not impossible to conceive that at least on that occasion Government also conceded that a Directorate could be suggested which might not be subject to the day to day interference of the Government or of the Legislature. In our note of dissent, we have also said that it may be easily obtained, because, in the case of the highest judiciary in this land, nobody has any misconception that they are influenced by the executive and are not functioning properly and independently, and that if the Directors once appointed are not interfered with, we expect they will be free to act as they think proper, not being influenced by any political consideration. Even under this Bill, for the first three crucial years, we are having for the first year, all nominated Directors, in the second year, there will be only two elected Directors out of fourteen and, in the third year, there will be only four. In the fourth year, there will be six elected Directors and, in the fifth year alone, there will be a majority of elected Directors. So, I see that even Government are not averse to putting in Directors who, they think, will be able to discharge their duties properly, being uninfluenced by political considerations in the initial stage; so there can be no fundamental objection from the Government point of view that a Directorate, though nominated or devised under other schemes, is impossible. As a matter of fact, I have suggested a scheme and my other friends have also suggested schemes of a Directorate if the House sees its way to accept a scheme for a State Bank. Sir, it has been said on many an occasion and there is a strong apprehension in the minds of Members on this side of the House that if we pass the scheme for a State Bank, the Secretary of State from his place will order the withdrawal of the Shareholders' Bill and that is one of the reasons why some of the Members on this side are hesitant whether they should support a State Bank scheme, though they believe that it is the better scheme under the present circumstances. It is true that we are really working under a menace, but I appeal to this Honourable House that we should decide as we think best for the country. If, in their superior wisdom, the Secretary of State or the British people, through their Parliament and their Ministry, withdraws the whole Bill, the responsibility will be theirs, as has been very ably put by my Honourable friend, Mr. Neogy. If the British people want it, if the Secretary of State is anxious to legislate according to his designs, and if we are merely to carry out whatever he wants us to carry out, then it should fairly and honestly be done by them. We should have no misgivings in giving our own views. Those, who honestly and sincerely believe that at present the shareholders' scheme is the better, may by all means support that scheme, but the argument that is often being repeated in this House that, if we proceed in a certain way, the Secretary of State will have this Bill withdrawn, should be no ground why this House should not come to its own independent decision. It has been repeated so many times that we are not a sovereign Legislature. We know our humiliating position and we know the humiliating position of the Government Benches as well. We ultimately shall have to accept whatever may, through the kindness of the Secretary of State, be vouchsafed to us. We feel, Sir, that the political relations between the Government of India and the Secretary of State have undergone a great change. We remember the days of Lord Curzon, Lord Hardinge or even of Lord Irwin who tried manfully to exert their own influence and to express their own considered judgments, but

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now, as I said the other day also, the Government of India are a mere post office, blindly distributing and unhesitatingly carrying out whatever comes from the Secretary of State. But, I think, even to do bare justice to the Secretary of State, he is entitled to know what India thinks about the scheme. I have no grievance against the Secretary of State personally. Sir Samuel Hoare may be the ablest of men, as Mr. Ghuznavi and Sir Hari Singh Gour are anxious to tell us, but I want to press on the House that he is not here, and he has no chance to understand Indian feelings. We found that even the Select Committee Chairman, Sir George Schuster, in spite of his own inclinations, very generously yielded to many of our arguments. Now, had the Secretary of State been present here, I personally believe that he would have been influenced very much by the arguments and the trend of feeling amongst our people here. Unfortunately, there is no chance for the Secretary of State even to properly gauge the strong Indian feeling in these matters. So, let us be free in our own way to consider and decide what we think to be the best for India, and we should in no way be guided by considerations as to what its fate ultimately will be. So, I hope, the Members who will vote on this issue will be guided only by their independent judgment. If they are for a Shareholders Bank, let them by all means support it, but those who think with the vast majority in India that we should have a State Bank, let them have no hesitation in voting for it. As I said, though in name it is a Shareholders Bank, it is practically a State Bank, because, as has been so well put by Diwan Bahadur Mudaliar, all the three points that are to be found in the State Bank of Australia are more or less to be found here. In my amendment I say that five crores of the share capital should be subscribed by the Government of India. The House well knows that for the creation of the reserve fund of this Reserve Bank, the Government of India are providing five crores from the very beginning. So, the question of money is no consideration. It is only in name that there is so much objection. As regards the question of suspicion, the Honourable the Finance Member said that suspicion breeds suspicion. I can only say, from the number of innumerable safeguards that have been suggested in the White Paper, and from those that have been invented with each edition of the Round Table Conference, that it is those which have bred suspicion in India. It is the attitude of some of the witnesses before the Joint Select Committee and the number of safeguards forged by the three Round Table Conferences and incorporated in the White Paper scheme that really have created this distrust.

**The Honourable Sir Brojendra Mitter.** (Law Member): What of the cross-examination?

**Mr. S. C. Mitra:** It may be asked, why we on this side should at all ask for a State Bank. We have made it clear that, though we fully agree that the Legislature should not in any way interfere with the day to day administration of the Bank, we certainly claim that as regards its public function of controlling the credit and currency of India, the representatives of the people should have some voice. In my previous amendment, as I suggested, if the Governor General of India is a constitutional Governor General, advised and controlled by a responsible Ministry or the responsible Minister, then much of my argument for a State Bank may

not hold good. But, now, the House is in a position to judge for itself in how many matters the Governor-General will be influenced by his responsible Ministers under the White Paper scheme, and on how many occasions he will be dictated to by the Grand Mughal from the Whitehall. On these grounds, Sir, I move that the Reserve Bank of India should be a State Bank:

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That for clause 4 of the Bill, the following be substituted:

'4. The original share capital of the Bank shall be five crores of rupees which shall be fully subscribed by Government.'

**Mr. Vidya Sagar Pandya:** Sir, when my Honourable friend, Diwan Bahadur A. Ramaswami Mudaliar, began speaking, I was rubbing my eyes and wanted to know whether I was awake or I was asleep. I never thought that a gentleman like Mr. Ramaswami Mudaliar will be led away in his judgment by the atmosphere in which he had to work in London. He has been looking at things through the London glasses, and, as he is a trained lawyer, he knows how to put another man's case better than his own. The result is that we have got the case put on behalf of the Government or rather on behalf of the opposite Benches better than what they themselves could do. Now, the question is: Is he really for having a Shareholders Bank? Sir, we have a Hindustani proverb "Muddai sust gawah chust", that is to say, the plaintiff is not so keen to establish his case as the witnesses who are invited to give evidence. Mr. Ramaswami Mudaliar has overdone his case and, if he were present in the House when we last met at Simla and when I gave an account of how the Shareholders Bank was actually worked in practice in this country, I am sure he would have changed his views. I must similarly say about our other Members who went to the London Committee. All of them have taken it upon themselves to make out a case for the establishment of a Shareholders Bank. The Honourable the Finance Member has given them credit for their very nice arguments and sagacity and they feel that the Finance Member has put the best scheme. It is practically each scratching the back of the other. I am reminded of a Sanskrit sloka in which it is said:

"Uṣṭāñāṁ grihe lagnam rāśabhbhā shānti pāthakāḥ, Paraśparam prashamsanti aho roopam, aho dhwanīḥi."

When translated, it means, there was a marriage in the house or a family of camels and the donkeys were invited there to chant hymnal songs and they began mutual praising; the result was that the donkeys spoke of the camels: "What a fine and beautiful stature!" and the camels responded: "What a sweet and melodious voice!" Similarly, the London Committee Members say "What a grand scheme of Shareholders Bank!" and the Finance Member says: "What wise discernment!"

**Sir Cowasji Jehangir:** Who is the donkey and who is the camel here?

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) vacated the Chair which was then occupied by Sir Leslie Hudson, one of the Panel of Chairmen.]

**Mr. Vidya Sagar Pandya:** Let those whom the caps fit in wear them as they like. Apart from these things, we must view this question from the point of view of the country. I think it was Lord Morley who once spoke of the fur-coat policy. He said, what was good for England was not necessarily good for India. I may also say that what may be good

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for other countries—where they have got self-government and where the Government is under popular control and accountable to the Legislature—may not be good for us; and if Shareholders Banks are established in such countries, public opinion can assert itself and the scheme may be tried there. But even there as has been pointed out by some of the Members—even in some advanced countries,—they are thinking and considering whether after all a Shareholders Bank is really the best kind of institution. In some countries they have worked them all right, but in other countries they are thinking of a revision. Never mind what they do in other countries, we have to take into consideration our own conditions. Probably the House will be surprised that I—who has run joint stock banks or shareholders banks for the last 30 years—that I should, of all people, come forward here to plead for a State Bank in this case as opposed to the Shareholders Bank; but I must confess that we have not yet acquired that experience and that practical knowledge and training and all other qualifications which are necessary to run a Central Bank of shareholders, with success. In this matter, some of the leading banks in India have not yet worked in such a manner as to inspire complete public confidence. Besides my experience in India, I have had the opportunity of going to England and, through the courtesy of the India Office, I had the good fortune of looking into the practical working of the leading five banks and some of the big banks in Scotland. I had the opportunity of comparing the working of the banks both in India and in England. I may here pay a tribute to the directors of the various banks in Great Britain as to how well they conduct their banking institutions and, if we had also created a class of trained gentlemen who had devoted their lives to banking, it would have been possible to run a Shareholders' Central or Reserve Bank. There, in England, we find the Chairmen of the banks go and attend the office for two or three hours daily. The Deputy Chairmen go and attend the bank for a number of hours and a number of committees of Directors, who know their business, also meet almost daily. The result is that the Directors themselves are trained bankers and know what the business they are about is. The Chairman draws about £5,000 a year. In some cases the Board of Directors draw about £40,000 or £50,000 to £60,000 a year. They devote a great deal of their time and attention to the working of the bank and they are trained people. Then they are not debarred from becoming Directors of the Bank of England. It had been one of the traditions of the Bank of England not to have any one connected with any of the leading joint stock London banks to serve as Directors, but, during the war and after it, the Bank of England found it absolutely necessary to secure their help and co-operation in order to tide over the crisis during the war and also for the better governance of the Bank.

**The Honourable Sir George Schuster:** Can my Honourable friend give me any instance of a Director of one of the big five Banks who is now the Director of the Bank of England?

**Mr. Vidya Sagar Pandya:** I do not know whether there are any at the present moment. Formerly there were Mr. Goodenough of the Barclays Bank Ltd., and Mr. Eddis.

**The Honourable Sir George Schuster:** What I asked was whether the Honourable Member could give any instance at present if Directors of the five big Banks were Directors of the Bank of England.

**Mr. Vidya Sagar Pandya:** Mr. Goodenough belonged to Barclays, one of the five big Banks. I do not say now there are any Directors of the big five who are on the Bank of England. What I meant was that the Bank of England had Directors from the other leading institutions, even from one or two of the five big Banks.

**The Honourable Sir George Schuster:** Not now.

**Mr. Vidya Sagar Pandya:** When they found it necessary, they had them. I can quote the names if you want. Before 1913, there was not a single woman employed in any bank in England. Up to 1913, except in the note issue department for counting currency notes in the Bank of England there was not a single woman taken in the banking circles in their service. Similarly, the Bank of England took Directors from other banks only during the war, even now they can do so if they want. In some years, in the Bank of England, out of 28 Directors, there have been 15 Directors connected with banking and financing houses of the London City on the board of the Bank of England.

**The Honourable Sir George Schuster:** I quite agree that the finance houses are represented, but not the big five Banks.

**Mr. Vidya Sagar Pandya:** It may not be of all the five Banks. They try to make a distinction between the five Banks and other banks. There are the Colonial banks, the Dominion banks and the Directors of the Bank of England are on the boards of these Colonial and Dominion banks which have got their offices in London. Here every banker is treated like an untouchable, as if he is a pariah, as if he is an enemy of the Bank. This is a most preposterous part of the Bill to keep them out under that pretext and even when it is suggested that an active Director need not be put on the Bank and when the Banks are called upon to contribute five per cent.—formerly it was  $7\frac{1}{2}$  per cent., but now it has been reduced to five per cent. on demand liabilities and two per cent. on time liabilities,—would it not be possible for them to provide a representative who will be elected by these banks and who will not in any way be actively connected with any bank either in India or outside? Even such a proposal is turned down. Similarly the Members of the Legislature are not allowed to sit on the board of this new institution. There is no provision in the Bank of England Act or the Charter to debar any Member of Parliament, and I have actually seen in the old lists some Members of Parliament sitting on the Board of the Bank of England. Then, another funny part of it is this. The Imperial Bank of India has been a semi-Government Central Bank so far and Government themselves have been nominating Directors of other banks on the Board of the Imperial Bank of India. For instance, Sir Dinshaw Wacha, who was on the Board of the Central Bank of India, the Honourable Raja Sir Annamalai Chettiar and some other gentlemen were nominated who were connected with other banks.

**Mr. H. P. Mody (Bombay Millowners' Association: Indian Commerce):** Not as Directors.

**Mr. Vidya Sagar Pandya:** I am absolutely certain that in the past gentlemen who were on the boards of other banks have been nominated by Government on the Central Board of the Imperial Bank of India and I am quite prepared to prove it.

**Mr. H. P. Mody:** So far as the Bombay branch is concerned, I am not aware of the Director of any other Bank being on the Imperial Bank, for some years past at any rate.

**Mr. Vidya Sagar Pandya:** They have been on the Central Board. The thing is that, under the Imperial Bank Act, no Director connected with any other Bank can sit on the local board, but on the Central Board there is no such prohibition against any Director connected with any other Bank being a Director on the Central Board of the Imperial Bank of India; and I will give you instances if you like.

**Mr. H. P. Mody:** That may be, but they meet once in six months.

**Mr. Vidya Sagar Pandya:** If they meet once in six months, you demolish your case for shareholders Directors. What is the use of having Directors who meet once in six months? Are these the kind of gentlemen who are to be entrusted with the large funds of India?

**Mr. H. P. Mody:** They are not Directors, that is the point.

**Mr. Vidya Sagar Pandya:** They are on the Central Board; they are voting Directors; and the result is that Government have been nominating these gentlemen connected with other Banks, and the heavens have not fallen. I do not see why the banking institutions of the country should not be allowed a representative if they choose a gentleman who is not actively connected with the banking institutions on account of their having a large stake in the Reserve Bank in the form of compulsory deposits. And, it has been calculated by the Eastern Exchange Banks in one of their memoranda which they have submitted to Government that the amount so collected may amount from six crores to nearly 30 crores. Now, the banking institutions, whose funds may amount even up to 30 crores, are deprived of any representation while a person who takes two shares has got a vote to elect representatives. But we will leave that aside; I do not wish to repeat all that I said on the previous occasion. But I wish to point out, as I have conclusively proved by giving facts and figures and by quoting names, all the Boards of the three Presidency Banks, as well as the Board of the Imperial Bank of India which was substituted for them, have been close boroughs. In Calcutta, Bombay, Madras, in all places, the Board of Directors who have been elected have been elected only out of some favoured firms ranging from seven to ten firms for a long number of years, and there have been occasions on which they have kept even the seats vacant rather than allow any outsider to be elected on the board. I have proved that in the statements which I produced on the last occasion. Now, once a set of people get hold of an institution, they naturally try to retain their seats as long as they can, and the result is that they will not allow anybody from outside to get on the board. That is our practical experience. I do not blame the Imperial Bank entirely for it; there are similar other institutions in the country, managed by both Europeans and Indians alike, where the Directors, who were originally appointed, have, under the plea of experience or continuity of experience, continued to remain on the Board till only an act of God removes them.

Now, Sir, under the new Constitution we have practically the first Board nominated by Government; they will have the first innings. The result

will be that, practically even at the time of the elections, these very gentlemen will think that they are so indispensable that their ripe experience should not be lost to the Bank. Another question which arises is this. I can understand Directors who have got some banking experience being put on the Board. They may not be connected with another institution; they may have retired from there and might join a new institution. But these here will be elected by the gamble of the ballot-box and everybody who is clever at securing or manipulating those votes will have a chance to be elected and we know how some people get elected to municipalities and district boards, how they are incompetent to run the institutions and how they make a mess of them. The result will be that we will get a set of men who will know practically very little about banking and the Governor and the Deputy Governors will be practically running the show without any help or useful advice from such Directors. It is just possible that some of the areas may by chance send some good people; but I have not much faith in election by the ballot-box. As such it would not be safe to entrust the large funds of India to such Directors—there will be five crores of the shareholders money, there will be about 10 to 30 crores of the Banks, there will be Reserves of about 180 crores of the Currency Department: they will look after the public debt and floating loans: the question is, whether where such large interests are involved, we can entrust the working to such amateurs. My idea of a State Bank or any Central Bank is, for instance, the American model. I will state it briefly: I will not go into too much details.

The Federal Reserve Board of the United States consists of eight members—the Secretary of the Treasury and the Controller of the Currency *ex-officio*, and six members appointed by the President with the approval of the Senate, not more than one of whom to come from any one Federal Reserve District: in making the selection the President to have regard to fair representation of financial, agricultural, industrial, commercial interests, and geographical divisions of the country: the six members to be full time officers and to be salaried 12,000 dollars per annum: term of office, 10 years: one of the six appointee members to be designated by the President as Governor, the active Executive Officer, and one as Vice-Governor of the Federal Reserve Board; the Secretary of the Treasury to be *ex-officio* Chairman of the Board. All the members of the Board to take oath of office; the expenses of the Board to be met from a levy on Federal Reserve Banks in proportion to their capital stock and surplus: no Members of the Board to be officers or directors of or stock holders in a bank: the Secretary of the Treasury and the Controller of the Currency to be ineligible while in office and for two years after to hold any office in a member bank; this applies also to other members of the board who resign prior to the expiration of their appointed term; the Board to make annually a full report for information of the Congress. Then we have got the constitution of the boards of local directors—where they have got each of them representative of the stock holding banks, three at the time of election actively engaged in their district in commerce, agriculture or other industry, three designated by the Federal Reserve Board, and so on: and it is made compulsory that all national banking associations should subscribe to the capital stock of the Federal Reserve Bank in their district in gold certificates, etc., etc. Under this scheme, there are at present nearly 1,200 State Banks which are member banks. Now, I can understand, as in the case of this institution where six people, with some practical experience, are put there for some definite period and they help the Governor and Deputy

[Mr. Vidya Sagar Pandya.]

Governor and others in the discharge of their duties. They are appointed by the President. These are all the safeguards to impress their responsibility on these Directors. The question here is whether, under our new scheme, a Director who comes only for a short period on the gamble of the ballot-box without any experience, we should entrust our funds in charge of gentlemen like these. That is why I press that the best way would be for the Government which own the capital to make the necessary arrangements for getting the best men to represent all the interests and put them as whole time men drawing proper salaries and accountable for their work. Now, what happens under the constitution as at present? As my friend, Mr. Mody, has said, they meet once in six months . . . .

**Diwan Bahadur A. Ramaswami Mudaliar:** No, no; once in two months.

**Mr. Vidya Sagar Pandya:** We had a representation from the Imperial Bank asking us to change the number of meetings in a year as they find that they do not get enough Directors to attend and they have to hold some meetings only to comply with the formalities of the Act. What is the use of Directors who only attend meetings to complying with the formalities of the Act? There have been instances in the case of the Imperial Bank, where the Board consists of about 16 Directors, and four form a quorum, where we have three Secretaries and two Managing Governors as members. it is possible for the Managing Governors and the Secretaries to hold a meeting among themselves with the help of one or two other Directors; and the same set of Directors rarely meet again or are in touch with what has transpired previously; and the constitution which we are now following is practically on the same lines with some modifications. So what I wish to impress upon this Honourable House is, whether the machinery we are providing is the proper machinery. A good machinery on the lines of the American model can be provided only by the Government. Once they are appointed, they know that they are for a definite period as my Honourable friend, Mr. Mudaliar, has pointed out to secure independence: there will not be much difficulty in the matter. But, as matters stand at present, the present system is such that the control and direction of the Bank is vested in a group of men responsible to nobody but themselves, without any effective supervision and check by the shareholders, whose interest does not go beyond fat dividends. The Directors at the shareholders meetings are practically left to pass accounts submitted by themselves to re-elect themselves or the partners of the firms to which they belong or their successors and this applies to several institutions.

Now, Sir, much has been made of that the shareholders will have effective control on the Board. With regard to that, I should like 4 P.M. to read out, because some Members were not present on the last occasion, the attendance of the shareholders at the general meetings. I will take the Imperial Bank as my model, because that is our Central Bank at present and we are all expected to follow that good model. In the year 1921, a meeting was held in Calcutta, and only 11 shareholders were present. At the Joint Committee meeting we tried to find out what was the total number of shareholders in the Imperial Bank of India, but no definite idea was given; but I think I may take it safely that the number of shareholders cannot be less than 5,000. Now, Sir, out of 5,000 shareholders in Calcutta, only 11 people attended. Next year, in Bombay, 33

shareholders attended, in Madras 41, Calcutta 16, Bombay 84, Madras 18, Calcutta 36, and so on. But another funny part is at the special meeting of the shareholders which was convened in 1927, to consider the constitution of the Reserve Bank and the consequent amendment of the Imperial Bank of India Act, when only 87 shareholders were present out of 5,000.

**Mr. Jagan Nath Aggarwal:** How many of them were Directors?

**Mr. Vidya Sagar Pandya:** There were Directors, ex-Directors and there were officers of the Bank, there were brokers, their friends and others. There were Secretaries also present. Now, Sir, the House will understand that, when the whole question of the constitution of the Bank was under consideration, out of nearly 5,000 shareholders, only 87 attended. Another funny part of it is,—probably the Imperial Bank this time, when the constitution is being amended, have not taken the trouble to call any meeting of the shareholders at all to put the scheme before them and get their sanction,—probably they depend upon the scheme which was approved of by the shareholders six years ago, and they take it that it still holds good. We have made some important alterations, Sir, in the Imperial Bank Act, and it was necessary that the shareholders should have been called and the scheme placed before them, but the Directors probably think that they are acting in the best interests of the Bank and so there is no necessity for the shareholders to be consulted . . . .

**Mr. K. G. Neogy:** If my Honourable friend does not mind an interruption, I should like to know what proportion of the elected Directors of the Imperial Bank are Indians, because my friend will remember that it was stated by the Honourable the Finance Member on the authority of Mr. Shroff that as many as 65 per cent. of the shares in the Imperial Bank were held by Indians. I should like to know what proportion of the elected Directors of the Imperial Bank are Indians.

**Mr. Vidya Sagar Pandya:** There are now two or three Indians on the Local Boards of seven members. Well, Sir, as regards the elected Directors, if we go into the history from the very beginning, I may say that the Bank of Bengal was registered, if I am not mistaken, in 1805. From 1805 to 1917 or probably 1919, there was not a single Bengalee on the Bank of Bengal. (*Several Honourable Members from Bengal*: "Very good.") Then, Sir, taking the Bank of Madras, it was established in 1842 or 1843. Till 1917, and till I brought the matter to the notice of the Royal Commission in 1913, there was not a single Madrasi on the Board. But, in Bombay, I am glad to say, there have been two or three Indians out of seven on the Board. From 1917 onwards, on the representations made by the Southern India Chamber of Commerce, two Indians, out of seven Directors, were taken on the Board of the Bank of Madras. The Bombay Board of two or three Indians continued, and, in Bengal, they first put one gentleman and then they have two now and I may also add that, only recently, in the Bank of Madras, we had for the first time a majority of Indians on the Local Board. . . .

**Mr. K. G. Neogy:** All elected, I suppose?

**Mr. Vidya Sagar Pandya:** They were elected at the sweet will or mercy of the shareholders under the control of the Bank. . . .

**An Honourable Member:** What do you mean? It is a complicated thing.

**Mr. Vidya Sagar Pandya:** I do not know exactly what is the proportion of shareholders of Indians and Europeans on the Madras Register, but when the matter was pressed on the Government, they were compelled to take some people, and the Directors who are elected are always afraid that they may not be re-elected if they do or say anything which the other Directors may not like or show any independence in expressing their views in regard to the working of the institution. Now, Sir, take for instance the constitution of the Imperial Bank at the centre. Under the constitution, two of the Directors, the President and the Vice-President of the Bank at the Local Boards, have to be *ex-officio* Directors of the Central Board. Unfortunately it has so happened for a number of years, that no Indians are appointed President or Vice-Presidents of the Local Board. Of course, things have been set right now to some extent as a result of the representations made by the Chamber to the Honourable the Finance Member, and I must thank him for the interest he took in getting a change made,—but in the first seven or eight years, if I am not mistaken, no Indian was elected as President or Vice-President in Madras, and the indirect representation of the Indian Directors from the Madras Presidency on the Central Board was not given effect to. Similarly, only in very rare instances, say three or four times Indians were made President or Vice-President in Bengal. But I must say that in the case of Bombay, there have been occasions, though they have been rare, when both President and Vice-President were Indians. Therefore, the number of Indian Directors, who can be sent from the Local Boards to the Central Board, has been practically at the minimum. The result is that Indian interests have not got adequate representation, as it should have received. I hope, I have answered the point of my friend, the Honourable Mr. Neogy, and if he wants any further information or if he puts any more questions, I shall be glad to answer them.

**Mr. K. C. Neogy:** Not just now.

**Mr. Vidya Sagar Pandya:** I was referring to the attendance of the shareholders at the general meetings of the Imperial Bank of India, and now I come to it again.

In 1928, in Bombay 32 shareholders attended.

In 1929, in Madras, 22 shareholders attended.

In 1930, in Calcutta, 12 shareholders attended.

Next year, in Bombay, in the year 1931, there were 176 shareholders present. That was the largest number. There was trouble at the meeting, there was a walk-out by 100 shareholders, there were apologies, and there was some *golmal* at that meeting.

**Mr. Muhammad Yamin Khan:** What was the *golmal*?

**Mr. Vidya Sagar Pandya:** I don't think it is necessary to go into such details here. Then, in Madras, in 1932, there were 19 shareholders present. Now, what happens is that under the Act it is possible for a couple of people to hold proxies from absent shareholders and conduct a meeting, and there have been occasions on which meetings were over even before some of the Directors were able to attend them! (Laughter.) Now,

the number of proxies which were whipped up on these occasions were, 663, 881, 1621, 908, 841, 788, 807, 815, 812, 788, 740, 954 and 1,198 from the years 1921 to 1932 respectively. The shareholders present were only a few including the Directors, Secretaries and the Managing Governors, but the proxies held by them, in several cases, were too many. — I am glad that we have amended the Reserve Bank Bill in such a way that we are not going to allow proxies to play such a large part. A number of absentee shareholders living outside India had given standing proxies to the officers of the Bank. Now, the Imperial Bank has applied to the Government to declare that these proxies need not be taken from one office to another, but if the Secretary gives a certificate that the proxies are held at a particular office they need not be brought to the meeting.

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) resumed the Chair.]

**Mr. K. C. Neogy:** When, in the western countries, years ago, even marriages used to take place by proxy, why does my Honourable friend object to this? (Laughter.)

**Mr. Vidya Sagar Pandya:** If it is marriage, it concerns only the husband and the wife, but here we are concerned with solvency or insolvency of India. If we come to the attendance at the local meetings, we find in Calcutta in 1921, seven shareholders were present in person from the Bengal Circle, eight in 1922, nine in 1923, eleven in 1924, eight in 1925; ten in 1926, fifteen in 1927, eight in 1928, ten in 1929, ten again in 1930, twenty-one in 1931, and eighteen in 1932. I do not wish to weary the House with much of these figures. Comments have been made by some of the Anglo-Indian newspapers about these poor attendances. I will read one typical newspaper comment about the shareholders' meeting which I had the honour of presenting to the Royal Commission some years ago but things have not improved much since then:

"The Annual General Meeting attended by only one shareholder and held in a room in which the temperature was registering 95 degrees is probably unique in the annals of banking. Such were two of the best remarkable features of yesterday's annual meeting of the Bank of Madras. Of the temperature we prefer to say nothing. Heat, we are told, generates heat, and it would be impossible to refer to the subject coolly. As regards the presence of only a solitary shareholder we consider that a greater compliment could not be paid to the Board of Directors and the executive staff. It proves that the shareholders as a body consider that the affairs of the bank are being conducted in the best possible manner and that there is no fault to be found anywhere or with anybody."

"Mr. Decaster, the only representative of the shareholders present, when he found that he was unable to pass his vote of confidence and congratulations on account of there being no seconder, must have felt himself in a rather awkward predicament, but the intention was no doubt accepted with the same pleasure that it would have been had it been possible to embody it."

"The Chairman's speech, though addressed to practically empty chairs, will no doubt be read in print by the majority of the shareholders."

Now, Sir, we come to the Bombay register. There, again, we have got a lot of proxies. The attendance in Bombay from the year 1921 to 1930 was as follows: 32, 18, 25, 20, 16, 18, 17, 13, 19, 21, and, in the year 1931, 97 and, at an adjourning meeting, 43, and 47 in 1932. I come to my own Madras Province and I hope Diwan Bahadur Ramaswami Mudaliar will kindly listen to this more attentively. Eleven shareholders

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were present in 1921, next years, seven, fifteen, ten, ten, and particularly in 1926 only four people were present, nine in the next year and then, 14, 12, 18, 11, and 18 from 1927 to 1932. This is the amount of interest that shareholders take in the Bank, and I ask whether an appointment made by them can be considered as appointment by the shareholders and whether it would be a proper appointment.

Before I proceed to other matters connected with this typical Bank, I will now refer to the control of the shareholders on some of the banks in other countries which are quoted as a model for us:

"Ownership of the Bank of France. The bank is entirely owned by its stockholders. For many years none of its stock has been held by the State, that which was originally purchased having been disposed of to the public. The stock is 182,500,000 francs divided on December 24, 1921, among 33,781 stockholders. The par value of the shares is 1,000 francs, equal at par of exchange to 200 dollars. Its market value at the close of 1921 was 5,530 francs—say 1,106 dollars. There were then 11,952 stockholders holding only one share of stock each. There were 7,398 persons who had only two shares and 7,509 who held between three and five shares. Thus 10·6 per cent. of the stock was held by those who owned two shares or less, and over 20 per cent. by those who owned five shares or less. That means that probably 30 per cent. had no right of voting. A very large percentage of the stockholders are women. That is, out of the 33,781 stockholders a very large proportion are women. Only the 200 largest stockholders have a voice in the management of the bank."

**Diwan Bahadur A. Ramaswami Mudaliar:** May I tell my Honourable friend that it is not a question of only 200 having a practical voice in the management, but by far the 200 largest stockholders can alone vote at the general meeting. That is by law.

**Mr. Vidya Sagar Pandya:** It is by law, and we also have it by law here that people holding less than five shares shall not vote, and the result will be that many of our shareholders will be deprived of their vote.

**Mr. K. C. Neogy:** Hope for the best!

**Diwan Bahadur A. Ramaswami Mudaliar:** You have the present nominated Governors of the Imperial Bank who, you say, do not attend. It is equally bad.

**Mr. Vidya Sagar Pandya:** Absolutely. In 1927, when we had a discussion on the Reserve Bank of India Bill, the Honourable the President himself said as follows:

"I would still have some objection to such a clause. I do not want that on an important concern like this vested interests should be created, for we all know as a result of the experience of almost every joint stock concern not merely in India but all over the world that the control exercised by the small shareholders is absolutely negligible, if not non-existent. The managing agents or directors of any joint stock company will tell you how ineffective and unreal the general control of the shareholders over the affairs of a corporation is."

Now, Sir, then we turn to the appointment of Directors in the Bank of England Hartley Withers, in his book "Meaning of Money", page 215, says:

"The bank court (Bank of England) is a committee recruited chiefly from the ranks of the accepting houses and merchant firms and its members are nominated by itself subject to the purely formal confirmation of the shareholders."

Now, Sir, practically there is no control. So much so that in some of the leading five Banks the Directors have now provided in the Articles themselves that no person, not being a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director unless a previous notice is given within a specified time. The result is that the same set of Directors are practically re-nominated.

Now, Sir, coming back to what I was saying, it may be said that I have taken bad examples and I am making much of them. Here is another instance. In the case of the Alliance Bank of Simla, Limited, I have seen some of the shareholders lists some years before it failed. We had a galaxy of Europeans, high officials, including Viceroys, Commanders in-Chief, Members of Council, Secretaries to Government, etc., among the shareholders. What interest did they take in the Bank as shareholders? And that bank failed right under the nose of the Government of India, and some of the Directors retired as Knights.

**Mr. K. C. Neogy:** Before the failure or after the failure?

**Mr. Vidya Sagar Pandya:** Before the failure, of course.

**An Honourable Member:** Was any Finance Member a shareholder?

**Mr. Vidya Sagar Pandya:** I have not looked into the list for him. You must ask the Official Liquidator in the matter. Then, about the attendance at the meetings of the Imperial Bank at Madras, they are poorly attended in spite of special personal invitations to some of the title holders and some of the borrowers of the Bank to assemble at the meeting to pass the resolution for vote of congratulations and to pass the accounts. What I feel is that the shareholders do not take any real interest. This is also the case in other places. Then, why create a body and make it a Shareholders Bank where practically they will have no control? Besides that, I may say another thing.

The Government of India were run by the East India Company which was a shareholders' concern. Then we have got the experience of the Indian railways being run as shareholders concerns and, after several years of agitation, we have got them converted into State Railways. Now, are we, after this prolonged agitation and bitter experience, going back to the shareholders institution? I am sure, my friend, the Diwan Bahadur, was not aware of these things. I have got a very high regard about his judgment, his capacity, his burning patriotism, as the Leader of an important party. He is a responsible gentleman and a real patriot in every sense. I could have understood if these things had come from another type of patriots, we have sometimes, and as a result of the tussle we had between Mr. Yamin Khan and Mr. Mudaliar we have come to know something more of what transpired behind the scenes. We seem to have some gentlemen amongst us who think they are patriots, but their patriotism is of a kind that they love every country in the world except their own. They say they have no confidence in Indians and they want Europeans to decide everything for them. I was very much pained when I saw my worthy friend pleading for the Shareholders Bank, as he did not then know about these matters.

Well, it has been suggested—I do not know how far it is feasible—that some method must be found for making the shareholders attend meetings. I am told some of the railway companies in some other countries give free passes to their shareholders to attend their annual

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meetings I wonder if the Commerce Department or the Reserve Bank will make some such arrangements. I know of cases of some banks which are able to get better attendance by arranging tea parties. But generally what happens is that, as long as the shareholders get their fat dividends, they do not care. In fact, the Imperial Bank was running very smoothly and the trouble arose in Bombay only when the dividends were reduced from 16 per cent. to 12 per cent., and that busy body, the Bombay Shareholders' Association, took a great deal of interest and the result was that there were some changes made and something done. Ordinarily, the shareholders do not take any interest . . .

**Mr. B. Das:** But now the Bombay Shareholders' Association seems to be satisfied with the management of the Imperial Bank?

**Mr. Vidya Sagar Pandya:** It is not a question of any outside body's satisfaction, it is a question of the satisfaction of those who hold the shares in the Bank. Now, as the shareholders will not take any interest in these matters, the officials of the Bank will practically do what they like. The Directors will be nominated, and they will be re-elected or re-nominated, the recommendations of the Bank Governor will go to the Government, and they will go on merrily doing things as they like practically without any control by the shareholders. Especially when we take into consideration the fact that the shareholders will be distributed all over the continent of India, you cannot expect shareholders holding two and five shares to come all the way from Rangoon to attend meetings at Madras or Madras people coming to Delhi, and so on. The geographical conditions, then, are such that it is very difficult to constitute an institution where the shareholders can really exercise proper check and control and can properly elect Directors to represent their interests. Now, Sir, it is said that other countries have got on all right with a Shareholders' Bank, and it is asked why in India such a thing should not be started. The real thing is that the traditions and the experience of working of the joint stock institutions have been in existence for a considerable time and we have a class of gentleman who take a real interest in their work and who know their business. Besides that, in the case of the Reserve Bank in other places, the Directors there have to take care of the public opinion, and they being persons of the same nationality and working for their own country, if they make mistakes, they only make honest mistakes and they pay for it themselves; but here the conditions are quite different. Powers are given to the Governor General who is dictated to by the Secretary of State and the London financiers and we have not got that confidence as we should have in our own Government. Under the circumstances, it is best that we should have a Bank in respect of which we can hold the Directors responsible. If it is a State Bank, it would be open to the Legislature to review the working. As in the case of the American model, the report there is submitted to Congress. Here, whenever there will be any question about any matter or any information is asked, we will be told that it is a private institution and information could not be got on the matter, and so on and so forth. I think, Sir, I have sufficiently shown from the practical experience not only of the Imperial Bank but even in the case of other Banks that as long as the shareholders get fat dividends, they do not care, and one fine morning they find that the Directors have mismanaged affairs. The Directors sometimes give dividends even out of capital,—and such cases

are known where they have given dividends out of capital, even when the accounts are certified by the auditors. As I have just mentioned about the Directors being confined to particular firms, the auditors also are drawn from particular firms. Now, the partners of the same firm are practically appointed from year to year. The Directors meet and they re-elect themselves and the same auditors are elected by the Directors to check their own accounts, and there are no shareholders to control them or to criticise them, so that the business is practically reduced to a farce. As long as the men at the top are honest and capable, things are all right. As such, if the Government wish to start a Reserve Bank, let them by all means do it. Let them take the full responsibility in the matter, and, following the model of the American type, they might constitute a Board which will be really a good Board and we can hold them responsible for it and the Government should not act under the screen of the Directors appointed by the so-called shareholders and go on with the business just to suit the London interests. As such, I would earnestly appeal to the Honourable the Finance Member to reconsider the matter and have a Bank where the Directors will know their business and will be responsible to somebody and not to shareholders who practically leave everything to the Directors. Sir, I have dealt with the matter within the limited time at my disposal, but, if there are any further questions, I shall be very glad to answer them. With these remarks, I support the proposition of my friend to constitute a State Bank.

#### STATEMENT OF BUSINESS.

**The Honourable Sir Brojendra Mitter** (Leader of the House): With your permission, Sir, I desire to make a statement as to the probable course of Government business next week. From Tuesday onwards, we shall proceed with the detailed consideration of the Reserve Bank of India Bill, and we shall ask you, Sir, to supplement your original direction by a further direction that the House shall sit on the 7th, 8th and 9th December. As soon as opportunity offers, after Thursday the 7th, that is to say, on the conclusion of the Reserve Bank of India Bill, or if, for any reason, the progress of the Reserve Bank of India Bill is interrupted, we shall take up the Indian Tariff (Second Amendment) Bill, the Select Committee's report on which was presented to this House yesterday. The Bill to amend the Imperial Bank of India Act will also be on the agenda; but it will be taken after the Tariff Amendment Bill.

The Assembly then adjourned till Eleven of the Clock on Tuesday, the 5th December, 1933.



## LEGISLATIVE ASSEMBLY.

Tuesday, 5th December, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

### QUESTIONS AND ANSWERS.

#### TEST OF RED SEAL BRAND METAL AND SILVER POLISH BY THE ALIPORE TEST HOUSE.

28. \*Pandit Satyendra Nath Sen: (a) With reference to questions Nos. 706, 707, 708 and 709 asked by me in this House on the 6th September, 1933, are Government aware that the Alipore Test House originally rejected the sample of red seal liquid metal polish by remarking "failed to satisfy Indian Stores Department specifications for deficiency of fatty acid contents which is very low" in the first test report No. 854-C, submitted to Messrs. Sett and Dass Company on the 20th June, 1931, on receipt of usual fee of Rs. 48?

(b) Is it a fact that the fatty acid contents in the first test certificate as aforesaid were stated to be as low as 0·31 per cent.?

(c) Is it a fact that Messrs. Sett and Dass Company challenged the correctness and accuracy of the above remark in a letter to the Chief Controller of Stores and substantiated the contention by submitting a test report by Dr. H. K. Sen of the University of Calcutta, according to which fatty acid contents were 3·56 per cent.?

(d) Is it a fact that the Chief Controller of Stores ordered the Alipore Test House to re-test the same sample free of charge for "serious discrepancy" in fatty acid contents, the difference being more than eleven times as pointed out by Messrs. Sett and Dass Company?

(e) Is it not a fact that according to the re-test report No. 1897/C., of the 12th October, 1931, of the Alipore Test House, the same product was found to satisfy the Indian Stores Department specifications?

(f) Is it not a fact that according to Government specifications for liquid metal polish the fatty acid contents should not be below 2·5 per cent. and that fatty acid contents of red seal metal polish were found to be 2·0 per cent. in the re-test report?

(g) Are Government aware that the statements of the first test report of the Alipore Test House are wrong and erroneous according to their second re-test report?

(h) If the answer to parts (e) and (f) be in the affirmative, how would Government reconcile it with the statements contained in their replies

to part (c) of the question No. 708, and to parts (d) of the question Nos. 707 and 709 asked by me on the 6th September, 1933?

(i) What action do Government propose to take to prevent such discrepancy or wrong and erroneous test report being made by the Alipore Test House on a particular product tested on different occasions?

**The Honourable Sir Frank Noyce:** (a) Yes.

(b) Yes.

(c) It is a fact that the firm challenged the correctness of this report, and that they forwarded to the Chief Controller a document stated to be a copy of a report by Dr. H. K. Sen according to which the fatty acid content was 3.56 per cent.

(d) The Chief Controller of Stores instructed the Government Test House to test another sample of Red Seal metal polish free of charge.

(e) No. The re-test was not carried out on the same sample, but on another sample.

(f) The specification for liquid metal polish requires the polish to contain ammonium soap equivalent to not less than 2.5 per cent. of oleic acid. The fatty acid content of the sample covered by re-test report No. 1897/C., dated the 12th October, 1931, was found to be 3 per cent.

(g) No. The two reports refer to different samples.

(h) and (i). The re-test report showed that the sample did not satisfy the specification in other respects apart from its fatty acid content. The questions therefore do not arise.

#### AMOUNTS LAPSED TO THE GOVERNMENT OF INDIA AND CERTAIN COLONIAL GOVERNMENTS AS A RESULT OF THE ADMINISTRATION OF DECEASED INDIAN EMIGRANTS' ESTATES.

1279. \***Mr. Gaya Prasad Singh:** Will Government be pleased to state what amounts, if any, have lapsed to the Government of India, and the Colonial Governments of Fiji, Mauritius, British Guiana, Jamaica, Trinidad and other Colonies, from the time Indian emigration to these Colonies started, as a result of the administration of deceased Indian emigrants' estate? How is the money utilized, and is it not utilized for the benefit of the emigrants themselves? If not, why not?

**Mr. G. S. Bajpal:** Government greatly doubt whether it would be possible to collect the information desired in the first part of the question. With regard to the second part, they have no precise information as to how the estates of deceased Indian emigrants, who die intestate or without heirs, are disposed of. Probably, as in British India, the value of the estate is credited to the general revenues of the territory concerned.

**Mr. Gaya Prasad Singh:** Can the Honourable Member give even an approximate idea of the total amount thus lapsed?

**Mr. G. S. Bajpal:** As I have explained, my Honourable friend's question wants information for nearly one hundred years. I have examined one or two reports of the colonies, and I find that there is no separate head showing how much has lapsed to them from unclaimed Indian estates. I do not think I can get the information.

**ALLEGATIONS AGAINST THE CONTRACTOR OF THE LICENSED COOLIES AT THE LAHORE RAILWAY STATION.**

**1280. \*Mr. Gaya Prasad Singh:** (a) Are Government aware that the contractor of the licensed coolies at the Lahore Railway Station, North Western Railway, charge exorbitantly from the coolies in contravention of the terms of agreement? Is it a fact that the question was sought to be raised at one of the meetings of the local Advisory Committee of the Railway, but it was disallowed?

(b) Have Government received any representation on the subject from the Sikh Rights Protection Society, Lahore, or any other quarter, and what steps, if any, are being taken in the matter?

**Mr. P. R. Rau:** (a) I see from the proceedings of the Lahore Committee that the question was discussed on the 20th June, 1933, and the Chairman explained that the remedy for attempted overcharges by coolies largely rested in the hands of the passengers themselves, but that the Chief Commercial Manager was proposing to make special arrangements for better supervision over coolies at important stations and for the protection of the travelling public from extortion.

(b) No.

**Mr. M. Maswood Ahmad:** Is it a fact that a complaint book is kept at the Lahore Railway Station for writing complaints against coolies?

**Mr. P. R. Rau:** Possibly, but I have no direct information on the matter.

**Dr. Ziauddin Ahmad:** Did I understand the Honourable Member to say, in answer to the last part of (a), that the question was discussed at the meeting of the Local Advisory Committee?

**Mr. P. R. Rau:** I explained that the question was discussed at the Committee on the 20th June, 1933?

**Mr. M. Maswood Ahmad:** When this question was discussed, did some members raise the point that certain Railway officers discouraged passengers from entering complaints against these coolies?

**Mr. P. R. Rau:** I have given the House whatever information I can from the proceedings of the Advisory Committee?

**Mr. M. Maswood Ahmad:** Have the Government read the report?

**Mr. P. R. Rau:** I have not read it through.

**Mr. M. Maswood Ahmad:** Will the Honourable Member see whether this allegation is mentioned in the proceedings?

**Mr. P. R. Rau:** What allegations?

**Mr. M. Maswood Ahmad:** That certain Railway officers discourage passengers for entering complaints against these coolies?

**Mr. P. R. Rau:** I am sure, the Agent of the North Western Railway, who was the Chairman of the Committee, would have taken suitable action to prevent such incidents.

**Dr. Ziauddin Ahmad:** Do Government read the reports of these Advisory Committees? They are the most uninteresting documents, and what decision do Government take upon those documents?

**Mr. P. R. Rau:** On this particular question, I explained that the Agent had said that the Chief Commercial Manager was proposing to make special arrangements for better supervision over the coolies at important stations for protecting the travelling public from extortion. That shows the decision arrived at.

**Mr. M. Maswood Ahmad:** Does any officer of the Railway Board read the reports of the Local Advisory Committees which are published and supplied to all Honourable Members?

**Mr. P. R. Rau:** Certainly.

**Mr. Gaya Prasad Singh:** Do I understand the Honourable Member to say that the remedy lies in the hands of the passengers themselves?

**Mr. P. R. Rau:** I said that the Chairman explained that the remedy for attempted overcharges by coolies largely rested in the hands of the passengers themselves.

**Mr. Gaya Prasad Singh.** My question related to the exorbitant charges levied by the contractor from the licensed coolies. It was not that the coolies charged more than the prescribed rate of charges from the passengers. My question was:

"Are Government aware that the contractor of the licensed coolies at the Lahore Railway Station, North Western Railway, charge exorbitantly from the coolies in contravention of the terms of agreement?"

**Mr. P. R. Rau:** That is a question between the contractor and the coolies.

**Mr. Lalchand Navalrai:** Why was it that this question was not allowed to be discussed in the Advisory Committee?

**Mr. P. R. Rau:** I am sorry I have apparently misunderstood the question. The question of overcharges by the coolies was raised at the meeting of the Local Advisory Committee. I am not aware whether the question of the contractor charging exorbitantly from the coolies was discussed or not at the Local Advisory Committee meeting. But, apparently, since it is purely a private matter between the contractor and the coolies, I do not know whether it was considered a suitable subject or not for discussion at the meeting of the Local Advisory Committee.

**Mr. B. R. Puri:** May I know what is the position of this contractor? We have been told that he is a private individual, but what is his official position? Is he recognised by the Railway Department as an official who

has to keep some sort of control over the coolies and, in return, he is paid certain portion of their daily earnings? Or, is he paid by the Government? What is his position?

**Mr. P. R. Rau:** I am afraid I am not aware of the exact relationship between the contractor and the Railway administration.

**Mr. B. R. Puri:** I believe he is appointed by the North Western Railway administration. Then, how is it a private matter between the coolies and the contractor?

**Mr. P. R. Rau:** I am sure, the administration takes sufficient steps to see that the contractor does not misbehave. I am not aware of the exact relationship between the administration and the contractor, but I shall obtain information and lay a statement on the table in due course.

**Mr. B. R. Puri:** If the charge levelled against the contractor in the question is proved against him, would it be the look-out of the Railway administration to see to it or not?

**Mr. P. R. Rau:** That seems to be a hypothetical question.

**Mr. Lalchand Navalrai:** The predominance of the Railway over the coolies and the contractor's domination over the coolies, are not these questions of policy that should be brought before the Local Advisory Committee and considered there?

**Mr. P. R. Rau:** I have no information whether the subject was discussed or disallowed.

**Mr. Lalchand Navalrai:** Will the Honourable Member get the information?

**Mr. P. R. Rau:** Certainly.

**Mr. R. S. Sarma:** Will the Honourable Member also find out whether there was any complaint from the coolies as such about the exorbitant charges collected by the contractor? Or was the question raised only by some middleman between the contractor and the coolies?

**Mr. P. R. Rau:** I shall get this information also.

**Mr. Gaya Prasad Singh:** What is the reply to part (b)?

**Mr. P. R. Rau:** The reply was that no representation has been received. But it is quite possible that, since I have misunderstood the question, the reply may not be quite accurate.

**Mr. Gaya Prasad Singh:** Is the Honourable Member aware that the President of the Sikh Rights Protection Society, Lahore, is a member of this House, Sardar Sant Singh?

**Mr. P. R. Rau:** Then my Honourable friend can easily obtain the information from him.

**STATUS AND CONDITION OF THE TAMIL LABOURERS IN SIAM.**

1281. \***Mr. Gaya Prasad Singh:** (a) Will Government please make a statement regarding the status and condition of the Tamil labourers in Siam, and the latest development, if any?

(b) Is it a fact that a report on this subject, containing affidavits, was sent to Government by Dr. Lanka Sundaram, M.A., Ph.D.? If so will Government be pleased to place a copy of that report on the table?

(c) What steps have been taken to relieve the distress of the Indian coolies there?

**Mr. H. A. F. Metcalfe:** (a) and (c). Government have nothing to add to the answer given by Major Fraser-Tytler to the Honourable Member's question No. 152 on the 29th August last, as there has been no further developments since then.

(b) Dr. Lanka Sundaram's report has not yet been received by Government.

**GRIEVANCES OF CHETTIYARS OF SAIGON, INDO-CHINA.**

1282. \***Mr. Gaya Prasad Singh:** (a) With reference to the following telegram which was sent to me by the Honorary Secretary, Nattakottai Nagarathars Association, Madras, Mylapore, in September last, will Government be pleased to make a statement on the subject?

"Chettiyar community grateful to you for questions put, and generally taking sympathetic interest safe-conduct permits have not received to any great extent rescinding expulsion order is very important and urgent."

(b) Have safe-conduct permits been received, and expulsion order rescinded by the authorities at Saigon? If so, in how many cases, and what steps have been taken by the authorities to redress the grievances of the Chettiyars concerned?

**Mr. H. A. F. Metcalfe:** (a) and (b). Since the answer given by Mr. B. J. Glancy to the Honourable Member's question No. 695 on the 6th September, 1933, Government have been informed that one of the four Chettiyars, who were expelled from Indo-China, has been permitted to return to that country and is understood to be carrying on his business without let or hindrance, while the other three Chettiyars, at present in India, have obtained leave through their local representatives to return to the Colony, and documents, enabling them to do so, have been sent to them. The expulsion orders have not been rescinded so far. Government have requested His Majesty's Government to make further representations to the French Government on behalf of the Chettiyars in order to have these expulsion orders withdrawn as soon as possible and Government will continue to do all that is possible to safeguard the legitimate interests of the Chettiyar community in Indo-China.

**REVISION OF THE TIMINGS OF THE GRAND TRUNK EXPRESS BETWEEN DELHI AND MADRAS.**

1283. \***Mr. T. N. Ramakrishna Reddi:** (a) Will Government be pleased to state if it is not a fact that the Railway Board promised in September last, to revise the timings of the Grand Trunk Express between Delhi and

Madras to suit the convenience of the public by lessening the time taken and by starting the trains later than before?

(b) Was it not proposed to start the train from Madras about two hours later and take it to Madras earlier?

(c) Will Government be pleased to state if it is not a fact that in spite of the assurance of the Railway Board, the train leaves Madras at the same time, viz., 7.45 A.M.?

(d) Will Government be pleased to state if this train has been converted practically into a shuttle train between Madras and Bezwada, and if it stops at every station?

(e) Will Government be pleased to state if, in spite of the above, mail fares are charged between those stations and if so, how is it justified?

(f) Will Government be pleased to state if it is not a fact that the Howrah-Delhi Express takes only 24 hours to cover a distance of about 900 miles, that the Frontier Mail takes a similar time to cover about 850 miles, and, if so, why it takes more than 48 hours for the Grand Trunk Express to cover a distance of about 1,350 miles, that is, one and a half times the distances referred to above? Are Government prepared to take steps to see that the Grand Trunk Express does not take more than 36 hours, or at the most 40 hours, between Madras and Delhi?

(g) Do Government propose to consider the desirability of speeding up the train in both directions, and to retain its character as an express train by stopping it only at the principal stations between Madras and Delhi, as is done in the case of all other express trains throughout India?

**Mr. P. R. Rau:** (a) On the 20th September, 1933, in reply to a question by my Honourable friend I said that from October 1st the journey each way would take about 2½ hours less than at present. This statement, which, I am sorry to say, has proved incorrect, and for which I must apologize to the House, was made on the strength of a report made to the Board by the Agent, Great Indian Peninsula Railway, based on the revised timings agreed upon at a meeting of Transportation Officers of the three Railways concerned. Later on, however, these arrangements were altered by the Madras and Southern Mahratta Railway which saw as a result of the reduction of the time taken over the Great Indian Peninsula Railway, the possibility of effecting very considerable economy by using the Grand Trunk Express train as a stopping train between Ponneri and Bitragunta, thereby eliminating one train each way daily between these stations. Moreover, they saw no advantage in altering the arrival and departure hours at Madras as they considered they were convenient from the point of view of connections to the South and South West. Consequently, they adopted the present arrangements increasing the time taken over the Madras and Southern Mahratta Railway and practically retaining the original hours of arrival at and departure from Madras.

The Railway Board are at present in communication with the Madras and Southern Mahratta Railway on the subject and hope that a speedier service will soon be in operation.

(b) Yes.

(c) Yes.

(d) I am informed that between Madras and Bitragunta there are 29 stations and the down express stops at 24 out of these and the up express

at all. Between Bitragunta and Bezwada both expresses stop only at five stations out of 27.

(e) I understand mail fares are not charged for journeys between Madras and Bezwada.

(f) and (g). My Honourable friend's information as to the time taken by these trains is generally correct. I am afraid, however, it will not be possible at present to reduce the time of the Grand Trunk Express much below 47 or 48 hours, the reason being that, except for a short section of 48 miles, there is only a single line between Madras and Delhi, and on the Bezwada-Kazipet, Kazipet-Ballharshah, Ballharshah-Wardha and Nagpur-Itarsi sections most of the road-side stations are non-interlocked which necessitates a restriction of speed over points to 10 miles per hour. Moreover, through traffic on these trains is comparatively small and the train has to stop at a comparatively large number of intermediate stations to pick up traffic *en route*.

**Mr. R. S. Sarma:** Will the Honourable Member kindly state whether the traffic on the Frontier Mail and the G. I. P. Mail from Bombay is bigger than what it is on the Grand Trunk Express?

**Mr. P. R. Rau:** I think so, certainly.

**Mr. F. E. James:** May I ask the Honourable Member whether representations can be made that, in view of the fact that it takes less time and is much more comfortable to go from Madras to Bombay and from Bombay to Delhi, Members of the Assembly and the Council of State may be given the option of travelling by a route which is fairly quick and on which for two whole days food can be obtained?

**Mr. P. R. Rau:** I am afraid, Sir, that is not a question which ought to be addressed to me, and I do not know that Honourable Members have not got the option even now.

**Mr. F. E. James:** There is no option. May I address that question to the appropriate Member?

**The Honourable Sir George Schuster:** I will give my Honourable friend's suggestion the most careful consideration.

**Raja Bahadur G. Krishnamachariar:** With reference to the reply that there is no inconvenience for passengers from the South to catch the train at Madras, are Government aware that the boat mail, which is the principal line of connection between the South and Madras, arrives at Madras at 7 o'clock in the morning and the Grand Trunk Express starts at 7.45,—surely not a very convenient interval between Egmore and the Central Station which is nearly  $1\frac{1}{2}$  to two miles distant?

**Mr. P. R. Rau:** The Agent of the Madras and Southern Mahratta Railway considered that a time of  $2\frac{1}{2}$  hours between the arrival of one train and the departure of another would prove to be a source of inconvenience to passengers.

**Raja Bahadur G. Krishnamachariar:** But is it not incorrect to say that there is no inconvenience for passengers from the South? If the Honourable Member will kindly answer that question, I will come to that  $2\frac{1}{2}$  hours immediately.

**Mr. P. R. Rau:** I am only conveying to the House the explanation of the Agent of the Madras and Southern Mahratta Railway with which, I can assure the House, I am not in sympathy.

**Raja Bahadur G. Krishnamachariar:** Will the Honourable Member kindly invite his attention to my statement here and ask him why he makes incorrect statements for the information of Members of the Assembly? I hope he will. With regard to the 2½ hours, is it not a fact that, before the 1st October, the Grand Trunk Express started at 7.45 from Madras, arrived at Bezwada at 3 o'clock, Kazipet at 7, and went slow from Kazipet up to Wardha and, again, between Agra and Delhi, and all that has been changed? Is it or is it not a fact?

**Mr. P. R. Rau:** I am not aware of the detailed timings of the train, but I think my Honourable friend is correct. Formerly the time taken on the Madras and Southern Mahratta Railway was short and the time taken on the Great Indian Peninsula Railway was comparatively long. The position has been reversed now.

**The Honourable Sir Joseph Bhore:** Sir, may I, with your permission, intervene in this matter, because I think I am personally concerned? I met certain representatives of this House and we discussed the matter. As a result, I think the Chief Commissioner and I promised that we would do our best to expedite the running of the Grand Trunk Express. We came to the final conclusion that it would be possible to expedite the running by about 2½ hours. As I say, I am personally concerned in this matter and I will see why it is that these timings have not been adhered to. I shall personally look into this matter.

**Raja Bahadur G. Krishnamachariar:** Will the Honourable Member also invite the attention of the authorities that the most ricketty carriages, First and Second class, are attached to this train,—bath room leaking and the most inconvenient seating arrangements?

**The Honourable Sir Joseph Bhore:** I think that a complaint on those lines was made and it has been arranged that the Great Indian Peninsula Railway should see that better rolling stock is run on this particular train.

**Raja Bahadur G. Krishnamachariar:** I am talking of the Great Indian Peninsula rolling stock on which I generally come from Hyderabad to Delhi in that through carriage.

**The Honourable Sir Joseph Bhore:** I am sorry if my Honourable friend's experience has been so unfortunate, but I can assure him that the railway administration have already intervened in the matter.

**Dr. Ziauddin Ahmad:** Am I to understand from the answer that the stock of the Madras and Southern Mahratta Railway is much poorer than the stock of the Great Indian Peninsula Railway?

**The Honourable Sir Joseph Bhore:** I am afraid I am not in a position to answer questions with regard to the rolling stock on particular railways.

**Dr. Ziauddin Ahmad:** I thought the Honourable Member said that the Great Indian Peninsula Railway have been asked to run their carriages

on this Grand Trunk Express. So the inevitable conclusion from that statement is that the Madras and Southern Mahratta Railway stock is poorer than the Great Indian Peninsula Railway stock.

**The Honourable Sir Joseph Bhore:** I think the real reason is that there has been divided responsibility in the past, and I think the Railway Board have come to the conclusion that if one Railway is responsible for the rolling stock, it will be possible to ensure improvement. It is for this reason, I believe, that the Great Indian Peninsula Railway are being entrusted with that duty.

**Mr. M. Maswood Ahmad:** Will it not be better that in cases in which two administrations are concerned, these cases, instead of being discussed in the Local Advisory Committees, should be discussed in the Central Advisory Committee of Railways here?

**The Honourable Sir Joseph Bhore:** As a matter of fact, three railways are concerned here; there is the Nizam's State Railway.

**Mr. M. Maswood Ahmad:** So there is more ground for taking this matter up in the Central Advisory Committee instead of discussing it in the Local Advisory Committees.

**Mr. President (The Honourable Sir Shanmukham Chetty):** It is open to any member of the Central Advisory Committee to raise it.

**Mr. Vidya Sagar Pandya:** Are Government aware that, in attempting to expedite the Express train, it takes two hours more between Madras and Bezwada?

**The Honourable Sir Joseph Bhore:** I have just been trying to explain to my Honourable friend the reason for it.

**Mr. Lalchand Navalrai:** May I also say that the Karachi and Sind timings are not proper and that they require revision? And may I also inform the Honourable Member that an ordinary clerk in the Agent's office does prepare these timings and then we have to come up here and complain. I think these matters should come before the Central Advisory Committee.

**The Honourable Sir Joseph Bhore:** I was not aware that the Grand Trunk Express ran to Karachi. (Laughter.)

#### NEXT GENERAL ELECTIONS OF THE PROVINCIAL AND CENTRAL LEGISLATURES.

1284. \***Mr. M. Maswood Ahmad:** (a) Will Government be pleased to state whether the next general elections to the Indian Legislature will be held under the old Constitution or under the new Constitution?

(b) Will Government be pleased to state whether the next general elections to the Provincial Legislative Councils will be held under the old Constitution or the new Constitution?

(c) Will Government please state whether the Provincial Committees set up for the purpose of settling the questions of constituencies, franchise, etc., of the Provincial Legislative Councils will decide the constituencies, etc., of the Central Legislatures also, or will new Committees be constituted for the Federal Assembly and the Council of State?

**The Honourable Sir Brojendra Mitter:** (a) I can add nothing to what I said in reply to Mr. Lalchand Navalrai's starred question No. 1131 on 28th November, and would refer the Honourable Member to the statement made by the Honourable the President in connection with that question.

(b) I would refer the Honourable Member to the provisions of section 72B of the Government of India Act.

(c) I would refer the Honourable Member to the reply given on the 7th February last to his questions Nos. 233 and 234 relating to the Bihar and Orissa Provincial Franchise Committee. As already stated, I have no exact information as to the lines on which these Provincial Committees have been working. Nor am I in a position at present to make any statement as to the procedure which will be adopted for settling the constituencies, etc., for the Federal Assembly and the Council of State.

**Mr. M. Maswood Ahmad:** Are Government aware that, on the 23rd November, this question was not raised in any question whether the election would take place according to the new Constitution or the old Constitution?

**The Honourable Sir Brojendra Mitter:** As I have said, so far as the Provincial Councils are concerned, this is a matter for the Provincial Governors, and the Government of India have got nothing whatsoever to do with it.

**Mr. M. Maswood Ahmad:** I am referring to part (a). it is for the Central Legislature and not for the Provincial Legislatures.

**The Honourable Sir Brojendra Mitter:** As regards that, several questions have been asked in this House, and you, Sir, stated in the House that you had taken up the matter with His Excellency the Governor General: what has happened as regards that, I do not know, and I have no further information to give to the House.

**Sir Cowasji Jehangir:** Am I to understand the position from the Honourable Member's answer just now that, with regard to Provincial Governments, it is the Provincial Governments alone that are concerned as to when the new Constitution will come into force.

**The Honourable Sir Brojendra Mitter:** No, Sir: the Honourable Member is under a misapprehension: there is no question of new Constitution; but when the Provincial Councils will be dissolved or when new elections will take place are all matters which are entirely under the control of the Provincial Governors under section 72B. So, when the existing Provincial Councils will come to an end and new elections will be held is a matter on which I can give no information.

**Sir Cowasji Jehangir:** But the question is as to whether the next elections will be under the old Constitution or the new: that is entirely a question to be dealt with by the Government here or His Majesty's Government in England?

**Mr. President (The Honourable Sir Shanmukham Chetty):** That question really involves two questions: whether the next elections will be

held under the new Constitution means whether the new Constitution will come into existence as soon as the present Provincial Councils are dissolved: that is a matter purely for the Provincial Governments.

**Sir Cowasji Jehangir:** May I point out that how long the present Provincial Councils are to exist is a question for the Provincial Governments to decide; but as to whether the new elections are to be under the new reforms is a question for the Government of India and His Majesty's Government?

**The Honourable Sir Brojendra Mitter:** No, Sir, not even the angels can say that at the moment.

**Sir Cowasji Jehangir:** I did not follow my Honourable friend: does he mean to say that the Government of India are angels?

**The Honourable Sir Brojendra Mitter:** I said, not even the angels could say that.

**Mr. Lalchand Navalrai:** May I know from the Honourable the Leader of the House or the President, how much more time it is required for the removal of our anxiety?

**Mr. Gaya Prasad Singh:** What is the anxiety, I do not understand.

**Mr. Lalchand Navalrai:** Anxiety about the time for elections.

**Mr. M. Maswood Ahmad:** Will Government be pleased to state whether the qualification of the electors for the next election will be the same as it is at present or it will be according to the proposed scheme of the Government of India?

**The Honourable Sir Brojendra Mitter:** I hope, Sir, whatever the qualifications may be, all the Honourable Members now sitting in this House will be qualified.

**Dr. Ziauddin Ahmad:** May I just put the same question in another form?

**Mr. President (The Honourable Sir Shanmukham Chetty):** The same question that has been answered need not be put in another form.

**Dr. Ziauddin Ahmad:** I mean a further question on the same topic: may I ask, whether the number of seats for each Province in the next election will be the same as it is at present?

**The Honourable Sir Brojendra Mitter:** If it be under the existing Constitution, I fancy the number of seats will be the same.

**Dr. Ziauddin Ahmad:** I want a simple answer—yes or no.

**The Honourable Sir Brojendra Mitter:** What is the question? If the question is this, whether the next Provincial elections will be under the

existing Constitution or under the new Constitution, I cannot answer. If it be under the existing Constitution, then my answer is that according to my judgment the number will be the same.

### UNSTARRED QUESTIONS AND ANSWERS.

#### APPOINTMENTS CARRYING RS. 100 AND ABOVE IN THE VARIOUS STATE-MANAGED RAILWAYS.

**238. Pandit Ram Krishna Jha:** (a) Will Government be pleased to state the number of appointments carrying Rs. 100 and above, in the various State-managed railway Administrations?

(b) Will Government be pleased to lay on the table of this House a statement showing:

- (i) the number of Indians holding such posts, and
- (ii) the number of Indians so employed, from each of the provinces of India, including Bihar?

**Mr. P. R. Rau:** A certain amount of the information required with regard to posts rising to Rs. 250 and above will be found in the Annual reports on Indian Railways.

Government regret that the rest of the information called for is not readily available and cannot be obtained without an undue expenditure of labour and money.

#### RATES OF DISABILITY PENSION ADMISSIBLE TO NON-COMBATANT CIVIL SUBORDINATES OF THE ARMY IN INDIA.

**239. Mr. S. G. Jog:** (a) Will Government be pleased to state what relative rank was admissible to a non-combatant civil subordinate of the Army in India in 1914—16 getting Rs. 200 to Rs. 249 per mensem and what changes in relative ranks have since been made and when, specifying the nature and date of every change?

(b) What rates of disability pension were admissible in 1914-16 to non-combatant civil subordinates of the Army in India getting Rs. 200 to Rs. 249 per mensem and what changes in rates have since been ordered and when? Will Government please intimate the rates and dates of every change?

**Mr. G. R. F. Tottenham:** The question is being examined and a reply will be laid on the table at an early date.

#### APPOINTMENT OF A MUSLIM DISTRICT INSPECTOR OF SCHOOLS IN DELHI.

**240. Mr. M. Maswood Ahmad:** (a) Is it a fact that from time immemorial, at least since 1885 to 1927, not a single permanent Muslim District Inspector of Schools was appointed in Delhi?

(b) Is it a fact that the District Inspector of Schools then controlled all the vernacular teaching staff in Government, District Board and Municipal Committee services?

(c) Is it a fact that there was an unduly low proportion of Muslim school-masters in these schools, and Sir Malcolm Hailey,

the then Chief Commissioner of Delhi, issued letter No. 3197-Edn., dated the 14th May, 1917, to the Educational authorities, sending a copy of it to the Deputy Commissioner and the Municipal Committee, Delhi, in which he drew attention of these authorities to this grave disparity in the number of Muslim teachers and ordered that efforts should be made to reduce this grave disparity?

(d) Is it a fact that Muslims of Delhi had persistently drawn attention of Government, both in the Legislature, as well as by means of deputations and representations to the Chief Commissioner and the Superintendent of Education, Delhi, to the quite inadequate number of Muslim teachers, and definitely attributed this low number to the unsympathetic appointing agency?

(e) Is it a fact that Muslims are still very inadequately represented in the teaching staff in these schools?

(f) Is it a fact that the present Muslim District Inspector of Schools is now under orders of transfer to the Punjab? Do Government propose to appoint a Muslim District Inspector of Schools in his place?

**Mr. G. S. Baijal:** (a) Since the creation of Delhi Province, Syed Fazl Mahmud held the post in 1915-1917.

(b) The District Inspector of Schools, Delhi, at one time controlled the vernacular teaching staff in the service of the District Board and Municipality.

(c) The low percentage of Muslim teachers in the District Board and Municipal schools in Delhi was due in the past to various causes. The letter referred to by the Honourable Member was issued by the Chief Commissioner, Delhi, on the 14th May, 1915, and the instructions issued therein are being followed.

(d) No record is available of any deputation or representation to the Chief Commissioner, Delhi, or to the Superintendent of Education, Delhi, though questions on the subject have been asked from time to time in the Legislature.

(e) The number and proportion of Muslim teachers have increased in these schools and there is no reason why in the matter of fresh recruitment it should not continue to improve. A statement showing the number of Hindu and Muslim teachers in the schools in Delhi in 1931 and 1933 is laid on the table of the House.

(f) The reply to the first part of the question is in the affirmative. As to the next incumbent of this post, since the post is included in the Punjab cadre, the Government of that Province will make the appointment in accordance with the recognised principles which are well understood. The responsibility for protection of certain interests rests not with the District Inspector but with the Administration who may be trusted to discharge it as fully and rapidly as circumstances permit.

*Statement showing the number of Hindu and Muslim teachers in the District Board and Municipal Schools in Delhi on the 31st March 1931 and 1933.*

	District Board,		Municipal.	
	Hindus.	Muslims.	Hindus.	Muslims.
1931 . . . . .	180	40	196	77
1933 . . . . .	203	52	194	81

**REPRESENTATION OF HINDUS IN THE EDUCATION DEPARTMENT, DELHI.**

**241. Bhagat Chandi Mal Gola:** (a) Is it a fact that in the office of the Superintendent of Education, Delhi, there is a majority of Muhammadans?

(b) Will Government be pleased to lay on the table a statement showing the number of Hindu and Muhammadan clerks in that office?

(c) What action do Government propose to take for the proper representation of Hindus in the Education Department, Delhi?

**Mr. G. S. Bajpai:** (a) and (b). If the Honourable Member refers to the Delhi establishment of the office of the Superintendent of Education, the reply is in the negative. There is an equal number of Hindu and Muslim clerks in that establishment, *viz.*, four of each community.

(c) Does not arise.

**REPRESENTATION OF HINDUS IN THE EDUCATION DEPARTMENT, DELHI.**

**242. Bhagat Chandi Mal Gola:** (a) Is it a fact that in the Education Department, Delhi, the gazetted officers consists of Christians and Muhammadans only? Will Government be pleased to state the reasons why the majority community has been deprived of its rights?

(b) What action do Government propose to take for the proper representation of the Hindus?

**Mr. G. S. Bajpai:** (a) and (b). The Honourable Member is referred to the reply given by me in this House to Bhai Parma Nand's starred question No. 1603 on the 7th December, 1932, on this subject.

**ABOLITION OF NORMAL SCHOOL, NAJAFGARH, DELHI.**

**243. Bhagat Chandi Mal Gola:** (a) Is it a fact that the Normal School, Najafgarh (Delhi) is still running? Have Government considered the question as to whether or not it is an unnecessary burden?

(b) Do Government propose to take any steps to abolish this institution?

**Mr. G. S. Bajpai:** (a) The reply to the first part of the question is in the affirmative. In regard to the latter part of the question, the continuance of this institution is essential, not only to ensure a higher percentage of trained teachers, but also to fill vacancies resulting from the retirement of teachers and other causes.

(b) No.

**CONSTITUTION OF BALUCHISTAN INTO A SEPARATE PROVINCE.**

**244. Mr. M. Maswood Ahmad:** (a) Will Government be pleased to state whether their attention has been drawn to the resolution passed by the All-India Muslim Conference about the constitution of Baluchistan into a separate province?

(b) Have they received a copy of the resolution referred to in part (a) above from the Secretary of the Muslim Conference?

**Mr. H. A. F. Metcalfe:** (a) The Honourable Member does not specify the particular meeting of the All-India Muslim Conference to which he refers; but Government are aware that according to reports appearing in the Press, the Executive Board of the All-India Muslim Conference which met in Delhi in March, 1938, passed a resolution to the effect that a substantial measure of reform should be immediately introduced in Baluchistan.

(b) No copy of that resolution was forwarded to Government by the Secretary of the Conference.

#### EMPLOYMENT OF ADDITIONAL CLERKS IN THE CENTRAL PUBLICATION BRANCH.

**245. Mr. S. C. Mitra:** (a) Is it a fact that a proposal for the employment of additional twenty-five clerks to cope with the work, has been forwarded to Government by the Manager of the Central Publication Branch for sanction?

(b) Is it a fact that several Record-Suppliers possessing the minimum qualifications for Government service have been working in that branch as clerks since their appointment?

(c) Is it a fact that they were conferred clerical posts on a fixed pay of Rs. 40 per mensem during the commercial period of that office?

(d) Is it a fact that after expiry of the period they were reverted to their former position?

(e) Is it a fact that the claims of these men have been consistently overlooked whenever chances for promotion arose?

(f) Do Government propose to consider their case favourably in the event of future appointments in the clerical cadre?

**The Honourable Sir Frank Noyce:** (a) No. But a proposal has been submitted to the Controller of Printing and Stationery by the Manager.

(b), (c), (d), (e) and (f). Government have no information on any of the points referred to by the Honourable Member which relate to matters of detail within the competence of the Head of the Department. It is open to any employee who considers that he has a grievance in the matter of clerical appointments to make a representation to the proper authority in the ordinary way.

#### OVERSTAFFING OF PRINTING AND STATIONERY DEPARTMENT OF THE GOVERNMENT OF INDIA.

**246. Mr. S. C. Mitra:** Are Government aware that the Printing and Stationery Department of the Government of India is overstaffed in respect of gazetted appointments? If so, do Government propose to retrench them immediately for the sake of saving public revenue? If not, why not?

**The Honourable Sir Frank Noyce:** The answer to the first part is in the negative. The other parts do not arise.

#### EMPLOYMENT OF A FARASH FOR THE PERSONAL WORK OF THE MANAGER, CENTRAL PUBLICATION BRANCH.

**247. Mr. S. C. Mitra:** (a) Is it a fact that one of the *farashes* of the Central Publication Branch is employed for the personal work of Mr. d'Eca,

officiating Manager of the Central Publication Branch at his residence and for taking care of his car at office?

(b) If the reply to part (a) be in the negative, is he competent to employ such a Government servant for his personal work?

**The Honourable Sir Frank Noyce:** (a) and (b). No.

**FEELING OF INSECURITY AMONG THE STAFF OF THE CENTRAL PUBLICATION BRANCH.**

248. **Mr. S. C. Mitra:** Are Government aware that the staff of the Central Publication Branch are in constant dread of being punished and dismissed?

**The Honourable Sir Frank Noyce:** No.

**RETRENCHMENT DUE TO THE AMALGAMATION OF THE EAST INDIAN AND EASTERN BENGAL RAILWAY PRESSES.**

249. **Mr. S. C. Mitra:** (a) Is it a fact that on the amalgamation of the East Indian and Eastern Bengal Railway Presses, Calcutta, a large number of industrial hands, such as binders, compositors, etc., were retrenched?

(b) Is it a fact that not a single one among the supervising staff, such as Assistant Superintendents, overseers, readers, etc., has been retrenched?

(c) Will Government be pleased to lay on the table a statement showing the number of compositors, distributors, binders and impositors and the number of Assistant Superintendents, overseers, section-holders, readers, copy-holders, computors and clerks whose services have been dispensed with as a result of retrenchment, from 1931 to 1933, year by year?

(d) Is it a fact that this drastic retrenchment has been effected for the purposes of economy? If so, will Government be pleased to state the reasons for:

(i) appointing fresh and new hands, such as clerks and mono-operators in the amalgamated press within the last two months;

(ii) filling up the abolished posts; and

(iii) keeping intact the personal pay of several employees?

(e) Is it a fact that large number of binders have been retrenched, being regarded as surplus in the binding section?

(f) Is it a fact that several employees of different departments, such as, Abdul Majid and Nawab Ali Chaudhuri formerly paper-issuers in the East Indian Railway Press, have either been transferred or employed in the binding section? If so, will Government be pleased to state the reasons for retrenching as surplus the binders who were actually working in the binding section?

(g) Is it a fact that the surplus hands of the East Indian and Eastern Bengal Railway Presses have submitted memorials to the Honourable

Member in charge, Railway and Commerce Department, in September last through proper channel? If so, will Government be pleased to let this House know the contents of the same and the action taken, or intended to be taken by them on the same? If not, why not?

(h) Is it a fact that the demoted employees of the amalgamated press have submitted memorials to the Honourable Member in charge in September last? If so, will Government be pleased to let this House know the contents of the same and the action taken or intended to be taken by the Government on the same? If not, why not?

**Mr. P. R. Rau:** With your permission, Sir, I propose to reply to this and the following 15 questions together. Government are obtaining whatever information is readily available and will lay a statement on the table in due course.

#### RETRENCHMENT DUE TO THE AMALGAMATION OF THE EAST INDIAN AND EASTERN BENGAL RAILWAY PRESSES.

†250. **Mr. S. C. Mitra:** (a) Is it a fact that the Honourable Member in charge, Railways and Commerce, received a telegram from the President of the National Trades Union Federation and President of the Press Employees' Association, Calcutta, on 1st September 1933, informing him of the serious situation created by the arbitrary actions of the East Indian Railway authorities in dealing with the amalgamated Press staff in connection with the recent retrenchment in the said Presses? If so, will Government be pleased to lay on the table a copy of the said telegram, and state the action taken on the same? If not, why not?

(b) Is it a fact that the Secretary, Press Employees' Association, Calcutta, addressed a letter to the Honourable Member in charge Railway and Commerce, on the 12th September, 1933, requesting an immediate enquiry into the arbitrary way of retrenching and demoting the industrial staff of the amalgamated East Indian and Eastern Bengal Railway Press? If so, will Government be pleased to inform this House of the contents of the said letter, and state what action has been taken or is intended to be taken on the same? If not, why not?

#### RETRENCHMENT DUE TO THE AMALGAMATION OF THE EAST INDIAN AND EASTERN BENGAL RAILWAY PRESSES. ¶

†251. **Mr. S. C. Mitra:** (a) Is it a fact that the East Indian and Eastern Bengal Railway Presses at Calcutta have recently been amalgamated on the recommendation of the Retrenchment Committee 1931?

(b) Is it a fact that one of the reasons for this amalgamation was that the overhead charges would be considerably diminished thereby?

(c) Is it a fact that heavy reductions of the industrial staff in the Railway Presses had been effected just before and after the amalgamation but there was no corresponding reduction of supervising and clerical staff either before or after the amalgamation?

(d) Is it a fact that after the amalgamation of the Railway Presses the total amount of work done by the industrial hands remains almost the same as when the two Presses were separate and the work of the supervising and clerical staff has considerably decreased as a result of the amalgamation?

¶For answer to this question, see answer to question No. 249.

(e) Is it a fact that the total amount of pay of the discharged industrial hands of both the Presses will not be more than Rs. 1,600 per year?

(f) If the answers to parts (a) to (e) be in the affirmative, have Government considered whether the retention of the services of the highly paid and supervising and clerical staff, instead of the industrial hands is not uneconomical? If not, why not?

(g) Will Government be pleased to lay on the table a statement showing:

- (i) the present total strength of the industrial hands, section by section, in the amalgamated East Indian and Eastern Bengal Railway Presses, with their average monthly pay;
- (ii) the present strength of the supervising staff of the amalgamated Press with respective designations, pay and duties they are to perform; and
- (iii) the expected savings due to the amalgamation under the different heads of expenditure?

#### AMALGAMATION OF THE EAST INDIAN AND EASTERN BENGAL RAILWAY PRESSES.

†252. **Mr. S. C. Mitra:** (a) Is it a fact that recently the Eastern Bengal Railway Press has been amalgamated with the East Indian Railway Press and the whole of the Eastern Bengal Railway Press including the machines have been transferred to the premises of the East Indian Railway?

(b) If so, will Government be pleased to state:

- (i) the estimated cost sanctioned for this removal;
- (ii) the actual cost incurred;
- (iii) the agency for removal; and
- (iv) the authority under whose order this removal was made?

#### EMPLOYMENT OF A HIGHLY PAID MECHANIC AND ASSISTANTS IN THE EAST INDIAN RAILWAY PRESS.

†253. **Mr. S. C. Mitra:** (a) Is it a fact that a highly paid mechanic and several assistants are employed in the East Indian Railway Press?

(b) Is it a fact that in spite of this staff outside assistance is frequently called for and heavy amounts are spent for the purpose? If so, will Government be pleased to state:

- (i) how the work of this section was managed previous to the appointment of the mechanic and his staff;
- (ii) how much was spent for paying the outside experts before as well as after the appointment of the mechanic and the staff;
- (iii) what savings have been made by the appointment of the present mechanic; if no savings have been made, the reasons for creating the post of a mechanic with such a high pay?

#### QUALIFICATION, PAY, ETC., OF THE SUPERINTENDENT OF THE EAST INDIAN RAILWAY PRESS.

† 254. **Mr. S. C. Mitra:** (a) Is it a fact that passed "Printers" from home are regarded as experts in the line and expected to manage business economically?

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†For answer to this question see answer to question No. 249.

(b) Is it a fact that the Superintendent and the Deputy Superintendent of State Railway Presses are recruited from among the passed "Printers"? If so:

- (i) Is the present Superintendent of the East Indian Railway Press a passed printer?
- (ii) Where did the present permanent Superintendent of the East Indian Railway Press work before he was appointed to the present post?
- (iii) What was the amount of salary in his former posts?
- (iv) What are his qualifications?
- (v) How was he selected for the present appointment?
- (vi) What was his initial salary and what is his salary at present?
- (vii) What is his present age and the length of the period of his present service?

#### BINDERS OF THE EAST INDIAN RAILWAY PRESS.

**†255. Mr. S. C. Mitra.** (a) Is it a fact that in compliance with the Government of India's Notification, No. L-1714, dated the 18th August, 1931, a Court of Enquiry was formed under the Trades Disputes Act, 1929, with the Honourable Mr. Justice Murphy as Chairman?

(b) Is it a fact that the Committee recommended for re-instatement of men whose names appeared in list "A" of the report, as they had a genuine grievance?

(c) Is it a fact that four binders of the East Indian Railway Press, Calcutta, were re-instated on the recommendation of the Committee, their names having been included in the list "A"?

(d) Were the said binders allowed any wages or compensation for the period from the date of their discharge to the date of their re-instatement?

(e) Is it a fact that they submitted a memorial to the Secretary, Railway Board, for granting them wages or compensation for the aforesaid period?

(f) Do Government propose to give their wages or compensation for the said period?

(g) Will Government be pleased to state from which date their service will be counted and on what basis will they be allowed Provident Fund and gratuity on their retirement?

(h) If the answer to part (d) be in the negative, will Government give their reason therefor?

#### BINDERS OF THE EAST INDIAN RAILWAY PRESS.

**†256. Mr. S. C. Mitra:** (a) Is it a fact that several binders of the East Indian Railway Press, Calcutta, have been discharged or transferred to other sections on smaller pay, being regarded as surplus in the binding section?

(b) Is it a fact that several hands from different departments are engaged for pulling up the work in the binding section?

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\*For answer to this question, see answer to question No. 246.

(c) Is it a fact that extra men are engaged and overtime allowed to meet the growing demands of work in the Press?

(d) If the answers to parts (a) to (c) be in the affirmative, will Government be pleased to state the reasons for making several binders surplus?

#### COMPOSITORS OF THE EAST INDIAN RAILWAY PRESS.

**†257. Mr. S. C. Mitra:** Will Government be pleased to state:

- (i) the strength of the compositors in the East Indian Railway Press when it was Company-managed;
- (ii) the strength of the compositors after the amalgamation with the Oudh and Rohilkhand Railway in 1925;
- (iii) the strength of the compositors after the amalgamation with the Eastern Bengal Railway Press?

#### INTRODUCTION OF NEW SYSTEM OF SERVICE IN THE EAST INDIAN AND EASTERN BENGAL RAILWAY PRESSES.

**†258. Mr. S. C. Mitra:** (a) Is it a fact that under the Railway Board's order a new system of service has been introduced in the East Indian Railway and Eastern Bengal Railway Presses?

(b) Is it a fact that the Board's order was the same in respect of both the Presses?

(c) If the answers to parts (a) and (b) be in the affirmative, will Government be pleased to state the reasons for different scales of increased percentage allowed in the pay of the industrial hands of both the Presses?

(d) Will Government be pleased to state whether any specific order as regards the increase in the percentage of pay of the piece-workers has been made? †

#### PROMOTIONS IN THE EAST INDIAN RAILWAY PRESS.

**†259. Mr. S. C. Mitra:** (a) Is it a fact that no fixed principle is followed in the East Indian Railway Press, Calcutta, in granting promotions? †

(b) Is it a fact that several of the senior industrial hands are drawing less pay than the junior hands? †

(c) Is it a fact that outsiders are appointed and the claims of the experienced and officiating incumbents of the posts ignored?

(d) Will Government be pleased to state:

- (i) when was the present assistant binding foreman of the East Indian Railway Press, appointed;
- (ii) whether the work of the post was being carried out by an experienced old employee of the section;
- (iii) whether he is related to his immediate superior officer in the office? †

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†For answer to this question see answer to question No. 249.

**PRINTING OF "ECONOMY REPORT" IN THE EASTERN BENGAL RAILWAY PRESS.**

†260. **Mr. S. C. Mitra:** (a) Is it a fact that the "Economy Report" was printed in the Eastern Bengal Railway Press in 1930?

(b) If the answer to part (a) be in the affirmative, will Government be pleased to state what was the saving and under what items?

**CERTAIN APPOINTMENTS IN THE GOVERNMENT OF INDIA PRESS, CALCUTTA, AND THE EAST INDIAN RAILWAY PRESS.**

†261. **Mr. S. C. Mitra:** (a) Is it not a fact that the proportion of clerks and supervising staff, *viz.*, overseers, office superintendent, foreman, section-holder, jemadar, assistant foremen, computors, checkers, time-keepers, etc., to the actual workers, *viz.*, compositors, readers, copy-holders, mono-casters, lino-mono-operators, distributors, binders, pressmen, machine-men, ink-men, etc., in the East Indian Railway Press is greater than those in the Government of India Press, Calcutta?

(b) If the reply to part (a) be in the affirmative, will Government be pleased to give the reasons therefor?

(c) Will Government be pleased to lay on the table a comparative statement of the number of men now holding the following appointments in the Government of India Press, Calcutta, and East Indian Railway Press, Calcutta and Howrah:

Assistant Superintendent, office superintendent, overseer, section-holder, foremen, assistant foremen, computor, checker, clerks, workshop accountant, time-keeper, jemadar, store-keeper, compositor, reader, copy-holder, distributors, binders, pressmen, machinemen, inkmen, lino-mono-operators and mono-caster?

(d) Is it not a fact that the number of the supervising staff and clerks as mentioned in part (a) in the East Indian Railway Press was greatly increased after 1920?

(e) Will Government be pleased to state the number of supervising staff and clerks and that of the actual workers as mentioned in part (a) in the East Indian Railway Press, in 1919 and 1930?

**EXTRA WAGES OR CREDIT LEAVE FOR COMPOSITORS OF THE EAST INDIAN RAILWAY PRESS WORKING ON HOLIDAYS.**

†262. **Mr. S. C. Mitra:** (a) Is it a fact that the employees of the Government of India Press, get extra wages or credit leave when they work during a holiday?

(b) Is it a fact that the compositors of the East Indian Railway Press get no extra wages or credit leave when they work during holidays?

(c) Is it a fact that the clerks of the East Indian Railway Office and the East Indian Railway Press get travelling allowance when they are employed on work during holidays?

(d) If the reply to parts (a), (b) and (c) be in the affirmative, will the Honourable Member in charge of Railway and Commerce be pleased to state the reasons therefor?

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†For answer to this question, see answer to question No. 249.

**EXTRA WAGES FOR COMPOSITORS OF THE EAST INDIAN RAILWAY PRESS WORKING AFTER 2 P.M. ON SATURDAYS.**

† 263. **Mr. S. C. Mitra:** (a) Is it a fact that the employees of the Government of India Press and of other State Railway Presses get extra wages if they work after 2 p.m. on half-holidays when the offices close?

(b) Is it a fact that the compositors of the East Indian Railway Press get no extra wages for their work from 2 p.m. to 5 p.m. on Saturdays when their office closes at 2 p.m. and extra wages are allowed for their work after 5 p.m.?

(c) If the reply to parts (a) and (b) be in the affirmative, will the Honourable Member in charge of Railway and Commerce Department be pleased to state the reasons therefor, and does he propose to take proper steps for the payment of extra wages to the compositors for their work immediately after office hours?

**CUT IN THE PAY OF THE INDUSTRIAL EMPLOYEES OF THE EAST INDIAN RAILWAY PRESS.**

†264. **Mr. S. C. Mitra:** (a) Is it a fact that deduction is being made both from the pay of the ministerial as well as industrial employees of the East Indian Railway Press, Calcutta and Howrah?

(b) Is it not a fact that the industrial employees, such as compositors, distributors, binders, etc., of the East Indian Railway Press, Calcutta and Howrah, are not allowed the privileges of closed holidays, bank holidays, and special early holidays like Armistice Day, like the ministerial staff in the same Press?

(c) Is it not a fact that the industrial employees, like the compositors, of the East Indian Railway Press, Calcutta, are allowed only 13 days' leave in a year under Annexure (ii), whereas the ministerial staff enjoy more holidays under Annexure (i)?

(d) Is it not a fact that the earnings of the employees like compositors, binders, etc., have come down considerably owing to the stoppage of the overtime system in the said Press?

(e) Is it not a fact that under the new revision of the scale of pay, as has been introduced from the 1st of November, 1930, the earnings of the industrial staff like the binders, compositors, etc., in the East Indian Railway Press, Calcutta and Howrah have decreased as is evinced from the fact that the binders who used to get Rs. 42 per month before November, 1930, now get Rs. 36 and even that after two years?

(f) Is it not a fact that the industrial employees, like the compositors, binders, etc., submitted a memorial to the Honourable Member in charge, Railway and Commerce Departments so far back as 12th January, 1931, stating that no consideration was paid at the time of fixing the initial wages to the fact that the actual earnings were higher during the preceding twelve months and even in the past few years than the monthly wages then introduced?

(g) Is it not a fact that in the memorial, dated the 12th January, 1931, the memorialists submitted that they were to work compulsorily for about 47 hours more than what they did before the 1st of November, 1930?

(h) If the answers to parts (a) to (g) be in the affirmative, will Government state the reasons for introducing a cut in the pay of the industrial

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+For answer to this question . see answer to question No. 249.

employees like binders, compositors, etc., of the East Indian Railway Press, Calcutta and Howrah?

**NON-APPOINTMENT OF INDIAN APPRENTICES OF LILLOOAH WORKSHOPS AS TRAIN EXAMINERS.**

**Sardar G. N. Mujumdar:** (a) Is it a fact that the Indian ex-apprentices of the East Indian Railway Workshop, Lillooah, who passed in the first division from the Technical School and had training in one or more shops as referred to by Government in their reply to starred question No. 631(a) of the 4th March, 1932, are not appointed as Train Examiners? Is it a fact that European and Anglo-Indian ex-apprentices of the same workshop who had no training even in one shop as referred to above and who passed in lower divisions from the Technical School, are so appointed in preference to Indians? If so, why?

(b) Is it a fact that the answer given in reply to unstarred question No. 22(c) of the 5th September, 1932, is not correct and that both of the apprentices were not sent back to shops for unsatisfactory work and irregular attendance, and that one of them was retained there for faithful work and regular attendance for a few days more after the strike was over?

(c) Is it a fact that six ex-apprentices of the East Indian Railway workshop, Lillooah have been appointed as Train Examiners under the Chief Operating Superintendent, East Indian Railway, in Howrah Division, this year?

(d) Is it a fact that four of them were junior to many ex-apprentices of 1930, who are still waiting and had similar training?

(e) If the answer to part (a) above be in the negative, will Government please state the reasons for appointing (i) one Anglo-Indian who completed his training on 9th February, 1930 and failed in Technical School (failed to obtain 40 per cent. average marks in Technical School examination) and (ii) one European or Anglo-Indian who completed his training on 18th September, 1930, and passed in the second division (obtained below 50 per cent. marks) from the Technical School, as Train Examiners under the Chief Operating Superintendent, East Indian Railway, in Howrah Division? Is it not a fact that both of them had no training even in one shop as referred to in the reply to starred question No. 631(a) of the 4th March, 1932? What were the grounds for not selecting these senior apprentices of 1930?

(f) If the answer to parts (b), (c) and (d) above be in the affirmative, will Government be pleased to state the reasons for selecting those juniors for the posts and what were the grounds for not selecting the senior ex-apprentice of 1930? Do Government propose to consider his case and take necessary steps to appoint him to a suitable post under the Chief Operating Superintendent when next vacancy arises, and issue order to the officer concerned to this effect without delay? If not, why not?

(g) If the answers to parts (b), (c) and (d) above be in the negative, are Government prepared to make an inquiry into the matter and take necessary steps without further delay? If not, why not?

**Mr. P. R. Rau:** With your permission, Sir, I propose to reply to this and the next question together. I have called for certain information and will lay a reply on the table, in due course.

**NON-APPOINTMENT OF INDIAN APPRENTICES OF LILLOOAH WORKSHOPS AS TRAIN EXAMINERS.**

**+266. Sardar G. N. Mujumdar:** (a) Will Government please state whether they have acted in accordance with the procedure cited in answer to starred question No. 291(a) of the 10th September, 1929, in the matter of appointing the ex-apprentices of East Indian Railway workshop, Lillooah, as Train Examiners under the Chief Operating Superintendent, East Indian Railway, in Howrah Division this year?

(b) If the answer to part (a) above be in the affirmative, will Government please state:

- (i) whether one European or Anglo-Indian who completed his training on 18th September, 1930, from the East Indian Railway workshop, Lillooah, and who passed in the second division, was appointed as Train Examiner in Howrah Division, East Indian Railway, superseding many better qualified and senior ex-apprentices of the same workshop; if so, why;
- (ii) whether one European or Anglo-Indian ex-apprentice of the East Indian Railway Workshop, Lillooah, who completed his training in April, 1933, was appointed as Train Examiner in Howrah Division, East Indian Railway, without even being called for an interview on 14th August, 1933, ignoring the claims of many senior ex-apprentices of the same workshop; if so, why; and
- (iii) whether 33½ per cent. European and Anglo-Indian ex-apprentices of the East Indian Railway Workshop, Lillooah, have been appointed as Train Examiners in Howrah Division, East Indian Railway in these days of progressive Indianisation, although better qualified and senior ex-apprentices of the same workshop were available? If so, why?

(c) Will Government please state:

- (i) whether they propose to replace the European or Anglo-Indian, referred to in part (b) (i) above, by some senior Indian, whose name is on the waiting list;
- (ii) whether they propose to put a stop to such practice of appointing junior ex-apprentices in supersession of their seniors, as Train Examiners; and
- (iii) whether they propose to appoint, in all future cases, ex-apprentices of the East Indian Railway Workshop as Train Examiners under the Chief Operating Superintendent, East Indian Railway, from the waiting list strictly according to seniority and certificates of the Technical School without making any racial discrimination, and issue orders to the Chief Operating Superintendent to this effect?

If not, why not?

<sup>†</sup>For answer to this question, see answer to question No. 265.

## SHORT NOTICE QUESTION AND ANSWER.

### BERAR UNDER THE INDIAN FEDERATION.

**Mr. S. G. Jog:** (a) Is it not a fact that His Excellency the Viceroy made an announcement during his recent visit to Hyderabad about the successful conclusion of the negotiations which were going on with regard to the important question of Berar under the contemplated Indian Federation?

(b) Is it not a fact that His Exalted Highness the Nizam has given his assent for acceding to the Federation in respect of the territory known as Berar and to be placed in the Federation along with the Central Provinces?

(c) Is it a fact that His Excellency the Viceroy did not give the full details of the above arrangement?

(d) Will Government please make an announcement giving the full details of the arrangement which they propose to make in the matter?

**The Honourable Sir Brojendra Mitter:** (a) Yes.

(b) Attention is invited to the terms of His Excellency's announcement in his speech at Hyderabad on the 29th November 1938.

(c) Yes.

(d) The Government of India are not prepared at this stage to go beyond the terms of His Excellency's announcement.

**Mr. S. G. Jog:** May I know whether the terms have been definitely settled and the Government do not want to make announcement, or whether they are yet to be settled?

**The Honourable Sir Brojendra Mitter:** I can only repeat my answer, that I cannot make any statement beyond what has already been announced by His Excellency the Viceroy in his speech at Hyderabad.

**Mr. B. Das:** May I inquire if as has been declared about the recognition of sovereignty of His Exalted Highness the Nizam over Berar, whether my Honourable friend, Mr. Jog, in future can attend this Assembly and also the Nizam's State Assembly?

**The Honourable Sir Brojendra Mitter:** The answer to that question depends on full knowledge as to Mr. Jog's domicile, of which I am not aware.

**Mr. K. C. Neogy:** Are we to depend upon the newspaper report of His Excellency's speech in this matter, or, having regard to the importance of the question, will Government consider the desirability of issuing a Press communiqué on this matter?

**The Honourable Sir Brojendra Mitter:** So far as I can judge, the newspaper report is substantially correct.

**Mr. S. G. Jog:** Is it not a fact that in this arrangement the people of Berar are also vitally concerned?

**The Honourable Sir Brojendra Mitter:** I dare say they are.

**Mr. S. G. Jog:** Are the Government of India conscious of the fact that just as His Exalted Highness the Nizam's satisfaction is essential, is it not also equally important to secure the satisfaction of the people of Berar and of other interests concerned?

**The Honourable Sir Brojendra Mitter:** I have no reason to differ from my Honourable friend: it is a matter of very vital interest to the people of Berar . . . .

**Mr. S. C. Mitra:** And to the people of India also.

**The Honourable Sir Brojendra Mitter:** I may remind the House that on three important points His Excellency has made a definite pronouncement: first is the sovereignty of the Nizam over Berar; secondly, that for purposes of administration, Berar will be linked to the Central Provinces; and, thirdly, that in the Federation, Central Provinces *plus* Berar will be a unit. I have made it perfectly clear that beyond these three points I cannot give any further details which do not appear in His Excellency's speech.

**Mr. K. P. Thampan:** May I know whether the people of Berar will continue to remain as British subjects or they will become the subjects of the Nizam?

**Raja Bahadur G. Krishnamachariar:** They were never British subjects!

**The Honourable Sir Brojendra Mitter:** The people of Berar are directly the subjects of His Exalted Highness the Nizam; they are not British subjects, but His Exalted Highness the Nizam has got his treaty with the British Government, and, by virtue of that, the ultimate suzerainty is in His Majesty the King.

**Mr. K. P. Thampan:** Do I understand the Honourable Member to say that the people of Berar are even now the subjects of His Exalted Highness the Nizam?

**The Honourable Sir Brojendra Mitter:** I leave my Honourable friend to draw his own conclusions from the fact that the sovereignty of His Exalted Highness the Nizam over the Berars will continue under the suzerainty of His Majesty.

**Mr. S. G. Jog:** May I know, Sir, whether the representative of Berar will have further opportunity of expressing his views as regards the details of this settlement later on?

**The Honourable Sir Brojendra Mitter:** I can give no information on that.

**Mr. B. V. Jadhav:** Do I correctly understand, Sir, when the Honourable gentleman says that Berar and the Central Provinces will form one unit in the Federation, that Berar will not form a separate unit?

**The Honourable Sir Brojendra Mitter:** That is what appears from His Excellency's speech.

**Mr. K. C. Neogy:** Do I take it that His Exalted Highness the Nizam, as the sovereign of Berar, has assented to Berar forming a part of the Federation?

**The Honourable Sir Brojendra Mitter:** It appears from His Excellency's speech that in the Federation Berar will be linked to the Central Provinces, and the two will form one unit.

**Mr. K. C. Neogy:** I am talking of His Exalted Highness the Nizam's assent to Berar forming a part of the Federation.

**The Honourable Sir Brojendra Mitter:** That is so, Berar will come into the Federation.

**Sir Cowasji Jehangir:** As a matter of principle, Sir, may I ask the Honourable the Leader of the House whether he thinks it right that a statement should be made,—it does not matter by whom,—outside this House on a question of such great importance, and that though this House is in Session, the Leader of the House should not make a similar statement, and that it should have been left to a private Member to ask a short notice question?

**The Honourable Sir Brojendra Mitter:** I do not understand what statement my friend, Sir Cowasji Jehangir, is referring to. If it is with regard to Berar's position in the new Constitution, His Excellency the Viceroy has made his pronouncement. That was available to all Members of this House, because, as I said, the newspaper report is substantially correct. What more information is wanted, I do not know. If it be on questions of details of the arrangement with His Exalted Highness the Nizam, well, as I have said already, I cannot go into those details at this stage.

**Sir Cowasji Jehangir:** I presume, Sir, that His Excellency the Viceroy is a Member of the Government of India, and that if a statement is made by a Member of the Government of India, I presume that it should not be left to this House to hear or to get to know that statement through newspaper reports and that we should be told that those reports are substantially correct. We may have read it in different newspapers, and different newspapers may have given out different reports. As a matter of principle, I ask the Honourable the Leader of the House whether it would not have been right for him to make a similar statement in this House thus giving an opportunity to this House for asking for a day for discussion if necessary? We have read the statement merely in newspapers. It has not been authoritatively placed before this House. It is a question of principle, and the matter is of such importance to this House that it has been often raised in this House. I raise this question of principle.

**The Honourable Sir Brojendra Mitter:** As a question of principle, my answer is, that this is not a proper subject for discussion in this House. This is a matter of agreement between His Majesty's Government and His Exalted Highness the Nizam, and as such it is entirely outside the scope of this House. When on this matter of agreement His Excellency the Viceroy was speaking the other day, he was speaking in the proper quarter, and it would have been grossly improper for me or for any Member of Government to have made a statement in the House upon an agreement which is outside the scope of this House.

**Sir Cowasji Jehangir:** May I remind the Honourable Member that he seems to forget that there are in India on this question three parties, the Government of India and the Indian States and the Indian public of Berar, because a part of the Central Provinces is now supposed to come into the Federation as a whole? Has the Federation nothing to do with this House? Has this House never expressed an opinion on Federation or on the constitutional question, and may I ask the Honourable the Leader of the House whether this question and this statement are not constitutional questions with which India as a whole is concerned?

**The Honourable Sir Brojendra Mitter:** My answer is simple. As a constitutional question, there are only two parties to it, and not three parties, the two parties being the British Government on the one side and His Exalted Highness the Nizam on the other side. I do not agree to the Honourable Member's proposition that there are three parties to it.

**Sir Cowasji Jehangir:** Does the Honourable Member mean to say that India as a whole is not concerned with the question as to who should come into the Federation and who should not? Does not Berar by this agreement come into the Federation, and, in such an important matter, is not India as a whole interested as to who should make up the Federation?

**The Honourable Sir Brojendra Mitter:** I never suggested for a moment that India was not interested: what I said was that British India was not a party to that arrangement. There are only two parties to the arrangement, and British India is not a party to that arrangement. It does not mean that India is not interested in the question.

**Sir Cowasji Jehangir:** Does the Honourable Member mean to say that India as a whole has no voice in the formation of this Federation or as to which should be the units in this Federation and that we can merely talk and can have no effective voice? If that is so, I would agree with the Honourable Member that it is the constitutional position that we can only talk, we can only express an opinion, but we can have no effective voice; but if the Honourable Member once admits that this House has discussed questions of Federation, then I ask him whether this House is not interested in any agreement which Government may make with an Indian State whereby the position of the Federation is vitally affected?

**The Honourable Sir Brojendra Mitter:** I have answered that question. This House is interested in the question.

**Sir Cowasji Jehangir:** What does the Honourable Member mean by "interested"?

**The Honourable Sir Brojendra Mitter:** That is the Honourable Member's expression. I have given my answers to Mr. Jog's questions. My answer is not complete, because it deals with the broad aspects of the question. So far as the details are concerned, I am not in a position at the moment to inform the House what these are.

**Sir Cowasji Jehangir:** If this House disagrees with the broad aspects and if it does not want that Berar should come into the Federation, then what about it?

**The Honourable Sir Brojendra Mitter:** If the House disagrees, it disagrees, and there is an end of it.

**Sir Cowasji Jehangir:** Therefore, the House has no further voice in the matter if it disagrees? Is that the position?

**The Honourable Sir Brojendra Mitter:** The constitutional position is, if the House disagrees, it disagrees; it cannot force its opinion on the parties to the agreement.

**Mr. S. G. Jog:** May I remind the Honourable Member that the attitude he is taking on the floor of the House today has never been taken by the Government of India so far? (Hear, hear and Applause from the Opposition Benches.)

**The Honourable Sir Brojendra Mitter:** I do not understand the question, nor do I understand the applause or the meaning of 'Hear, hear'. What is the attitude I am taking up today? Here is a matter of agreement between His Majesty's Government and His Exalted Highness the Nizam, which is outside the scope of this House.

**Mr. S. G. Jog:** It is not the correct position.

**The Honourable Sir Brojendra Mitter:** In the matter of that agreement, this House has no effective voice although this House may be vitally interested.

**Mr. K. C. Neogy:** With regard to the constitutional position, is it not a fact that the people of Berar enjoy direct representation on this House, and is it not quite correct to say that there are only two parties to this agreement, and that the people of Berar who are represented in this House are less interested in this question than His Exalted Highness the Nizam or the Viceroy?

**The Honourable Sir Brojendra Mitter:** I have never said that this House is not interested in the question.

**Mr. K. C. Neogy:** What steps did the Government take either to ascertain the views of the people or to acquaint the people of Berar with that position before this announcement was made by the Viceroy?

**The Honourable Sir Brojendra Mitter.** The views of the people of Berar are well known to His Excellency the Viceroy as well as to the Government of India. This question has been debated for the last three or four years. Numerous meetings have been held in Berar, numerous resolutions have been passed, and these are well known to the Government of India. His Excellency the Viceroy, in negotiating with His Exalted Highness, has taken into account the views of the people of Berar.

**Dr. Ziauddin Ahmad:** In view of the fact that the coming of Berar into the Federation will substantially affect the constitution of the Federation, and in view of the fact that we cannot rely always on the Press information, as has been repeatedly maintained by Members on the Treasury Benches on the floor of this House, in view of the fact that the rumour of remission of Rs. 25 lakhs or otherwise will affect seriously the budget of this

country, and, above all, in view of the fact that we should also see that the proper proportion of the different minorities, specially Mussalmans, which has been fixed by the Communal Award in these things is maintained or not (the question being of vital importance to Muslims),—in view of these four points, will Government not give us an opportunity to discuss authoritatively the whole question on the floor of the House?

**The Honourable Sir Brojendra Mitter:** I can only repeat my answer that I cannot go into any details of this Berar question. If Honourable Members are not satisfied with the newspaper report, it may be possible to have His Excellency's speech printed and circulated among Honourable Members for their information. But beyond that, at the moment, I cannot go.

**Dr. Ziauddin Ahmad:** And give us an opportunity to discuss . . . .

**Mr. Amar Nath Dutt:** May I know the principle of law by which a contract between two parties can bind a third party?

**The Honourable Sir Brojendra Mitter:** Very often. If you enter into a contract with me that we should pay a thousand rupees to Sir Cowasji Jehangir . . . (Laughter.)

**Sir Cowasji Jehangir:** I shall gladly take it. (Laughter.)

**The Honourable Sir Brojendra Mitter:** . . . he becomes a beneficiary under that contract and he immediately becomes interested in that contract although he may not enforce that contract.

**Raja Bahadur G. Krishnamachariar:** Is it not a fact that Berar is not directly represented in this Assembly, but that the representative of Berar has got to be nominated by His Excellency the Governor General after election? Is it not also a fact that, if the Rs. 25 lakhs rent is remitted, my Honourable friends will be very much benefited, because it will come into our budget without the Rs. 25 lakhs going out of it. And the question having been fully discussed, is it not the privilege of the Governor General to announce the decision of His Majesty's Government with which this House has no concern?

**The Honourable Sir Brojendra Mitter:** That is so.

**Mr. B. Das:** Is not that *ultra vires* to say that . . . .

**Mr. President (The Honourable Sir Shanmukham Chetty):** Order, order.

**Mr. B. Das:** May I put a supplementary question? Arising out of the question, which the previous speaker has asked just now, is it not a fact that the Member, who represents Berar in this House, is nominated by the Governor General and that His Exalted Highness the Nizam is never referred to by him for nomination? Is it not also a fact that His Exalted Highness the Nizam is never referred to about the 12 Members sitting in

the C. P. Council? Therefore, His Exalted Highness is not interested in the Berars except in respect of the Rs. 25 lakhs?

**The Honourable Sir Brojendra Mitter:** I have not been able to follow the Honourable Member's speech. I should like to know what the question is.

**Mr. B. Das:** May I repeat it again?

**Mr. President** (The Honourable Sir Shanmukham Chetty): Order, order. The Honourable Member is really attempting to make a speech.

**Mr. B. Das:** I will ask it in three questions. Is it not a fact that the Member for Berar in this House is nominated by His Excellency the Governor General after he is elected by the people of Berar and that no reference is made to His Exalted Highness the Nizam himself?

**The Honourable Sir Brojendra Mitter:** I do not know. What passes between His Excellency the Viceroy and His Exalted Highness the Nizam is outside the scope of this House.

**Mr. B. Das:** Is not the nomination of the representative of Berar in this House, who is elected by the people of Berar, provided in the Government of India Act?

**Mr. President** (The Honourable Sir Shanmukham Chetty): If the nomination is made by His Excellency the Governor General and not by the Government of India, then the House cannot ask questions as to how His Excellency exercises his discretion.

**Mr. B. R. Puri:** May I know what is the principle of constitutional law involved in this particular deal? Am I right that, if the Governor General and His Exalted Highness the Nizam between themselves were to decide that Delhi was to be made over to the Nawab of Rampur, that becomes a constitutional issue?

**The Honourable Sir Brojendra Mitter:** It is a hypothetical question,—if certain absurdities happen according to the imagination of my Honourable friend, what will be the consequences? That sort of question ought not to be asked nor should it be answered.

**Mr. B. R. Puri:** What is the constitutional position of the people, say, of Berar, or for the matter of that, any other province which at present is a British province?

**The Honourable Sir Brojendra Mitter:** That is a matter which ought to be known to anybody who pretends to be a lawyer.

**Mr. B. R. Puri:** For that reason I put this blunt question, because, on the other side, it seems to have been forgotten altogether.

**The Honourable Sir Brojendra Mitter:** What is the question?

**Mr. B. R. Puri:** The question is: what is the constitutional position of the people belonging to a British province when that province is, as the result of a private deal between two very high officials, going to be transferred from one to the other as if they were goods and chattels?

**The Honourable Sir Brojendra Mitter:** This question does not arise from Mr. Jog's question. Mr. Jog's question referred to Berar which is not a British province, and the present question is, what is the constitutional position of a British province and what will happen if that British province is overtaken by a disaster.

**Mr. B. S. Sarma:** On a point of order, Sir. Is any Honourable Member of this House right or relevant or in order in characterising a big constitutional agreement between the representative of the King Emperor and His Exalted Highness the Nizam as a great private deal?

**Mr. K. C. Neogy:** Not a private deal. He did not say that.

**Mr. President (The Honourable Sir Shanmukham Chetty):** There is no point of order in this.

**Mr. Goswami M. R. Puri:** In view of the announcement by His Excellency the Viceroy, may I know if the Governor of the Central Provinces will be required to pay homage to His Exalted Highness the Nizam?

**The Honourable Sir Brojendra Mitter:** That is a matter which is not mentioned in His Excellency's speech at Hyderabad, and, as I have said repeatedly, I cannot give any further information than what is contained in His Excellency's speech.

**Mr. C. S. Ranga Iyer:** Will Government be pleased to state when they will make a full statement in regard to this matter including matters of detail?

**The Honourable Sir Brojendra Mitter:** I can give no date.

**Dr. Ziauddin Ahmad:** May I know what would be the constitutional position of the Central Provinces Government when a part of that unit owes allegiance to the British Government and a part to an Indian State? Can it not be kept as a distinct unit?

**The Honourable Sir Brojendra Mitter:** I shall be in a position to answer that question when we know the Federal Constitution.

**Sardar Sant Singh:** May I ask one question with your permission? Supposing elections to this House take place next year . . .

**Mr. President (The Honourable Sir Shanmukham Chetty):** Questions cannot be asked on suppositions.

## STATEMENTS LAID ON THE TABLE.

**The Honourable Sir George Schuster** (Finance Member): Sir, I lay on the table the information promised in reply to unstarred question No. 111, asked by Lala Rameshwar Prasad Bagla, on the 18th September, 1933.

### INCOME-TAX AND SUPER-TAX PAID BY THE TEA-PLANTERS IN ASSAM.

111. A statement is placed below.

*Statement showing net collections of income-tax and Super-tax from the Tea growing concerns of the province of Assam.*

Year.	Income-tax.	Super-tax.
	Rs.	Rs.
1930-31	6,74,169	4,36,000
1931-32	3,58,440	1,24,106
1932-33	3,13,961	85,229

*N.B.*—The figures include tax realised in, and the refunds paid by the Income-tax Department, Bengal, in respect of tea concerns carrying on business in Assam but assessed in Calcutta.

**The Honourable Sir Harry Haig** (Home Member): Sir, I lay on the table:

- (i) the information promised in reply to unstarred questions Nos. 10, 11, 13 and 14, asked by Mr. M. Maswood Ahmad, on the 5th September, 1933;
- (ii) the information promised in reply to starred question No. 955, asked by Mr. S. C. Mitra, on the 15th September, 1933;
- (iii) the information promised in reply to parts (a) and (b) of starred question No. 942, asked by Mr. S. C. Mitra, on the 15th September, 1933; and
- (iv) the information promised in reply to part (a) of starred question No. 970, asked by Maulvi Syed Murtuza Sahib Bahadur, on the 16th September, 1933.

### PERSONS GETTING EXTENSIONS AFTER REACHING THE AGE OF SUPERANNUATION IN THE DEPUTY COMMISSIONER'S OFFICE, DELHI.

10. (a) Five.

(b) Extensions have been granted in the interests of the public service and in accordance with the rules.

**GRIEVANCES OF APPRENTICES WORKING IN THE DEPUTY COMMISSIONER'S OFFICE, DELHI.**

11. (a) There are no paid or unpaid apprentices in the Deputy Commissioner's office with 10 or 11 years' service.

(b) Does not arise in view of the reply to part (a).

(c) Two exchanges have been made in the first an English Office clerk was sent to the Vernacular office, and a Vernacular office clerk brought over to the English office. Later, the English office clerk who was transferred to the Vernacular office was brought back to the English office and another clerk from the English office was sent to the Vernacular office. The clerk who came back to the English office the second time subsequently resigned.

Information in respect of apprentices is not available.

The clerks concerned are drawing the following pay :

(a) The Vernacular office clerk who is now in the English office is drawing Rs. 71 per mensem.

(b) The English office clerk who is now in the Vernacular office is drawing Rs. 78 per mensem.

(c) The apprentices were unpaid men.

The transfers were made in the interests of office work.

(d) No. The second portion does not arise.

**COMMUNAL COMPOSITION OF THE CLERKS IN THE DEPUTY COMMISSIONER'S OFFICE, DELHI.**

13. (a)

	Paid.	Unpaid.
Hindus . . . . .	87	30
Muhammadans . . . . .	65	16
Christians . . . . .	3	..
Sikhs . . . . .	2	..
	157	46

(b)

Delhi.	New Delhi.	Rural areas in the Province of Delhi.
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139	Nil.	64
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**DETERMINATION OF SENIORITY IN THE DEPUTY COMMISSIONER'S OFFICE DELHI.**

14. (a) Seniority is determined according to the date of confirmation in a particular grade.

(b) The answer to the first portion is in the affirmative. The second portion does not arise.

## ACQUITTAL OF MR. NIKHIL RANJAN GUHA ROY BY THE CALCUTTA HIGH COURT.

\*955. (a) Yes.

(b) to (d). As I informed the Honourable Member subsequently on the 17th December 1932, Babu Nikhil Ranjan Guha Roy was dealt with under the Bengal Criminal Law Act, and two Judges were as usual consulted. This finding established a clear breach of certain of the conditions on which the prisoner had been released, and is in no way affected by the subsequent trial on a specific charge. The question of his release does not therefore arise.

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## MENU OF DIET SUPPLIED TO CERTAIN PRISONERS IN THE ANDAMANS.

\*942. (a) and (b). I place on the table a statement showing in parallel columns the diet which "B" class prisoners get in the Cellular Jail, Port Blair, and in Bengal.

*Statement showing the diet which is prescribed for the "B" class prisoners in Cellular Jail, Port Blair and in Bengal.*

	Andamans.	Bengal.
	Chataks.	Chataks.
<i>For early morning meal—</i>		
Bread . . . . .	2	2
Sugar . . . . .	1	1
Butter . . . . .	3/8	3/8
Ton . . . . .	½	½
Milk . . . . .	1	1
<i>For other meals—</i>		
Fine rice . . . . .	8	8
Dal . . . . .	2	2
Vegetables . . . . .	4+1½ for wastage.	4
Potatoes . . . . .	2 3/8	2
Meat or fish or eggs . . . . .	2 or milk 6 ch.	2 or milk 6 ch.
Condiments . . . . .	3/16	3/16
Tamarind or lime . . . . .	1/16	1/16
Salt . . . . .	½	½
Goor . . . . .	½	½
Mustard Oil . . . . .	5/16	5/16
Ghee . . . . .	½	½
Dahi . . . . .	2	2
Coal . . . . .	8	8

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## REMOVAL OF MR. DEVIDAS GANDHI TO MULTAN JAIL IN A THIRD CLASS COMPARTMENT.

\*970. (a) Yes. Under the Punjab Jail rules, which apply to the Delhi jail, "A" Class prisoners are provided with third class accommodation unless they choose to pay the difference between the III class fare and that of the higher class selected by them. The position was made clear to Mr. Gandhi six hours before his transfer, but he did not elect to travel by a higher class.

The Honourable Sir Frank Noyce (Member for Industries and Labour): Sir, I lay on the table the information promised in reply to starred question No. 865, asked by Bhai Parma Nand, on the 12th September, 1938.

**COMMUNAL INEQUALITY IN INFERIOR APPOINTMENTS IN THE JHELUM HEAD OFFICE.**

\*865. (a) As regards the first part of the question the reply is in the affirmative except that there are 17 non-clerical superior appointments and not 18 as stated by the Honourable Member.

As regards the latter part, Government are not prepared to go further than to ensure that their orders regarding communal recruitment as in force from time to time, are carefully observed.

(b) As regards the first part, for each of the two cadres referred to there are two candidates both of whom are Muslims. No Hindu has been recruited during the last five years. The second part does not therefore arise. As regards the last part, Government understand that the Postmaster-General who is competent to deal with the matter is taking necessary action.

(c) No special facilities have been provided in the Jhelum Head Office for the supply of water to any community. The services of the *bhishtee* referred to have been sanctioned for watering the compound of the office building and not for the supply of water to the officials of any community.

**Mr. G. S. Bajpai** (Secretary, Department of Education, Health and Lands): Sir, I lay on the table the information promised in reply to unstarred question No. 146, asked by Mr. Bhuput Sing, on the 20th September, 1938.

**MOTOR AND ELECTRIC OMNIBUS SERVICE IN DELHI.**

146. (a) A motor bus service was started from the 1st September, 1933. The question of starting a Trackless Trolley Bus service is under the consideration of the Company.

(b) The Company submitted a proposal to the Delhi Municipal Committee to run a Trolley Omnibus Service from Paharganj to Subzimandi Terminus. The Municipal Committee agreed to the proposal subject to the Service being extended from the Subzimandi terminus to Azadpur. The Company refused to run such a Service, and the Municipal Committee, on re-consideration, agreed to the Service being run provided the Company extends it from the Subzimandi terminus to Tripolia.

(c) Does not arise.

**Mr. P. R. Rau** (Financial Commissioner, Railways): Sir, I lay on the table:

- (i) the information promised in reply to starred question No. 571, asked by Mr. Muhammad Azhar Ali on the 4th September, 1933;
- (ii) the information promised in reply to starred question No. 910, asked by Bhai Parma Nand, on the 13th September, 1933; and
- (iii) the information promised in reply to a supplementary question to part (b) of starred question No. 248, asked by Mr. Bhuput Sing, on the 14th September, 1932.

**POSTING OF EUROPEAN EX-SOLDIERS WITH NO KNOWLEDGE OF RAILWAY WORKING ON THE ROHILKUND AND KUMAON RAILWAY.**

\*571. Government are informed that it is not a fact that European ex-soldiers are being appointed on the Rohilkund and Kumaon Railway.

**USE OF AN OFFICER'S CARRIAGE FOR JOY RIDES UNDER ORDERS OF THE DIVISIONAL SUPERINTENDENT, MORADABAD DIVISION, EAST INDIAN RAILWAY.**

\*910. The Agent, East Indian Railway reports that during the past eight months the carriage was used for 24 journeys to Dehra Dun and Hardwar, being used either by the Superintendent, Transportation, Moradabad Division or his Assistant and that, as during the period, the preparations for the Adh Kumbhi Mela at Hardwar had to be made, the number of journeys cannot be considered excessive.

**RE-INSTATEMENT OF CERTAIN EMPLOYEES OF SOUTH INDIAN RAILWAY AS RE-COMMENDED BY THE RAILWAY COURT OF INQUIRY.**

\*248. (b). Eight men were re-instated in September, 1932, and the ninth in October, 1932.

**AMENDMENT OF STANDING ORDERS.**

**PRESENTATION OF THE REPORT OF THE SELECT COMMITTEE.**

**Mr. S. C. Mitra** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Sir, I beg to present the Report of the Select Committee on the proposed amendment of Standing Order No. 17.

**THE RESERVE BANK OF INDIA BILL.**

**Mr. President** (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of the amendment\* proposed by Mr. S. C. Mitra to clause 4 of the Bill. The Chair would like to make in this connection one observation. The House would have observed that the Chair has allowed very considerable latitude to Honourable Members in the discussion that has proceeded in all stages of this Bill. Honourable Members would appreciate that, during the first four days of the discussion, the whole of the discussion was practically concentrated on the issue whether the Bank is to be a State Bank or a Shareholders Bank. The amendment now before the House definitely raises the same issue and the Chair, would, therefore, appeal to Honourable Members not to repeat all the arguments over and over again, which have been advanced during the discussion at an earlier stage.

**Mr. Amar Nath Dutt** (Burdwan Division: Non-Muhammadan Rural): Sir, bearing in mind your observation that we should not waste the time of the House by repeating the same argument which has been thrashed out threadbare on the floor of this House for several days, I shall try to say a few words on the amendment of Mr. Mitra. If I rise at all, it is because I feel that I should not record a silent vote on this matter.

"That for clause 4 of the Bill, the following be substituted :

'4. The original share capital of the Bank shall be five crores of rupees which shall be fully subscribed by Government'."

The question of a State Bank or a Shareholders' Bank was first the subject of discussion in the Reserve Bank Bill of 1927 and there the principle of a State Bank was accepted by the Government. Then, again, in the Central Banking Inquiry Committee of 1931, the unanimous recommendation of that Committee, of which, you, Sir, also happened to be a member, was that there should be a State Bank. I would like to know from the Honourable the Finance Member what has happened since then to change the opinion in favour of a Shareholders' Bank. In view of the provisions of the Bill of 1927 as also the recommendation of the Central Banking Inquiry Committee of 1931, I would like to know from gentlemen, who went from this country to London, to state what led them to ignore altogether those recommendations, and they have not a single word in their report as to why it should be a Shareholders' Bank and not a State Bank. I do not know whether any of the members has any explanation for them. It may be that some members were not aware of the same, and that would be deplorable. I respectfully submit that they ought to have pressed these points in the Committee and embodied the same in their report. If there is any one here who resents any suggestion on my part, I beg to submit that I can only appeal to him that he cannot excuse himself his own ignorance. Be that as it may, what I was submitting was, that I have not been able to find out anything convincing in all the speeches in this House by the supporters of a Shareholders' Bank to change my opinion on the point. I have always been of opinion and I am still of that opinion, subject to change, if really any convincing reason is placed before me. But, till any cogent reason is placed before me, Honourable Members will excuse me if I still stick to that antiquated idea, if they would say that these ideas are antiquated, because they refer to events of 1927 and 1931. The only two arguments that are generally put forward against a State Bank is that other countries have got Shareholders' Banks, forgetting that some other countries have also got State Banks. The fur coat may be suitable to Canada, but not to India. So the analogy of other countries does not apply and I will not tire the patience of the House by citing examples of countries which have accepted a State Bank. I for one have always been suspicious of the words that all such banks should be free from political influence or control. Sir, politics is the life and breath of our existence at the present moment in every country in the world. If you take away politics from us, you take away our very life breath. That being so, I have not been able to follow what is exactly meant by "free from political influence". Is it meant by that "free from the influence of the Indian agitators, beginning from the moderate opinion like that of Sir Cowasji Jehangir to that of the revolutionaries who want to upset the whole machinery of Government". I beg to submit, if it is the desire of Government that the political influence of revolutionaries or terrorists should not come into this Bank, then I agree; but, if it is the desire of Government that the political influence of men like Sir Cowasji Jehangir, or, for the matter of that, my friend, Mr. Neogy, the Leader of the Democratic Party, should not in any way shape or mould the policy of the Reserve Bank, then I must respectfully submit that I cannot agree to the principle. The State Bank appealed to the Government at that time. I do not know what the Government will gain if they do not listen to almost the unanimous voice of the country which demands a State Bank.

One point upon which I want to lay stress for a State Bank is this that the State Bank will derive enormous profits by means of a small capital of five crores of rupees, and what is five crores of rupees to the

12 Noon.

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Government of India, who have to prepare a Budget including the Railway Budget of nearly Rs. 250 crores yearly? If, by these five crores of rupees, the Government of India can get the handsome profit that the Bank is likely to derive, being a State Bank, I submit nothing should stand in the way of the Government accepting a State Bank. The profits which would otherwise go to the shareholders would go to the tax-payer, and, considering the economic plight of all the people of this country from the high to the low, I submit, it is time the Government should try to raise revenues from other sources than by touching the pockets of the poor tax-payers of this country. Sir, with these few words, I beg to submit that the Government should see their way to accepting a State Bank and accepting my friend's amendment.

**Mr. B. V. Jadhav** (Bombay Central Division: Non-Muhammadan Rural): Sir, I rise to support the amendment put forward by my friend, Mr. Mitra. The question whether a Shareholders' Bank is preferable to a State Reserve Bank is a very intricate one and the oratorical flashes of my friend, Diwan Bahadur Mudaliar, had almost succeeded in carrying me away to vote with him for a Shareholders' Bank. However, my friend, Mr. Yamin Khan, came to my rescue. That esteemed friend of mine advanced a number of arguments in favour of a Shareholders' Bank which convinced me that I ought not to support such a scheme (Hear, hear.) He imported also other matters into the debate and pointed out that the share of the share capital that was reserved for his province in the Delhi Circle was not an adequate one, and so on, and that also convinced me that a Shareholders' Bank was a very dangerous thing in India as it would lead to provincial jealousies and acrimonies. So I have to thank my friend, Mr. Yamin Khan, for destroying the spell under which I was being carried by the gifted orator from Madras, the Deputy Leader of the Independent Party, and setting me free, body and soul, to advocate the cause of a State Bank.

Sir, a Reserve Bank India must have. The Government and the majority of the Select Committee have come to the conclusion that a capital of five crores of rupees should be subscribed by shareholders who should have the right to elect eight out of thirteen voting Directors on the Board. The principal reason given for having a scheme of Shareholders' Bank is that the Bank should be free from political influence. For argument's sake, I accept this principle that the future Reserve Bank should be free from political influence and I also admit that the Reserve Bank should be a very stable institution and that its policy ought not to be changed with the change of parties in this House. But, if the same object of having a Directorate free from political influence is achieved by a State Bank, I think the Finance Member should have no objection to giving up the shareholders idea and thus simplifying the working of the Bank. My friend, Mr. Vidya Sagar Pandya, has conclusively shown that in the case of ordinary small banks as well as in the case of the Imperial Bank and other big concerns, a candidate for a directorship is not generally successful unless he is supported by the Board. In cases where a number of Directors retire in rotation and the retiring Directors are eligible for and offer themselves for re-election, in every case the old Directors are returned and the outsider has no chance. In the present case, the maximum number of voters on the Bombay register will be about 28,000, on the Calcutta register about 29,000, on the Delhi register about 23,000, on the Madras register 14,000 and on the Rangoon register 6,000. Candidates for

election to a directorship will have to canvass nearly 10,000 votes in each Circle, the expenses will be considerable, and, as the Directors will be honest men, the gain will be almost nil. Under such circumstances, few will make a serious attempt to get elected to the Directorate. The first Directors will be nominated by the Governor General in Council and these gentlemen or their nominees will get themselves elected nominally by the shareholders of each circle, but, in reality, by the pocket burgh of the sitting directorate, while the farce of an election will be carried on year after year. The Board will consist of 13 members of which five will be the declared nominees of the Governor General in Council and afterwards of the Governor General at his discretion, and the remaining eight will be indirectly nominated by the same authority. On the other hand, if Government accept the amendment and subscribe the whole capital, then the Board will consist of exactly the same numbers. The Board will be equally free from political influence, and the Finance Member will get the credit of acceding to the public point of view.

It is said that the electorate will be a wide one and really clever and independent men, who will be qualified to express the popular view point, will be elected and will exercise a potent influence in the service of their country. I am sorry, I cannot think that these hopes will ever be fulfilled. I again repeat that the work of securing proxies from such a vast number of shareholders will be very troublesome and expensive. On the other hand, the proxies of European shareholders and of the numerous friends of the Directors and of the vast number of people, who have to do business with the Bank, will all be in the safe keeping of either the Governor or one of his Deputies, and, on the strength of this reserve strength, the future elections will be fought with the result that the really popular candidates will certainly fail and the nominees of the sitting Board will be triumphantly returned. This is almost a certainty. I therefore, ask, why this farce of an election? Why not save all this bother by providing the whole capital by the State?

It is said that the working of a Shareholders' Bank is economic and efficient as the Directors, behind whom stand the shareholders, are interested in keeping down expenditure and increasing efficiency. It has been abundantly shown that, as long as the dividends are regularly paid at a certain good level, the shareholders do not care to see how a concern is run. So, the efficiency of the management depends upon the choice of the staff and not upon any vigilance on the part of the shareholders. But, for argument's sake, I take for granted that the vigilance of shareholders in shareholders' concern is instrumental in maintaining efficiency and putting down waste in expenditure, as everyone is interested in cheap and efficient working. In this Reserve Bank the inducement of getting higher and higher dividends is non-existent as the maximum profit is to be five per cent., or a little more, perhaps six per cent. So, an average shareholder will not at all care how the show is run. The management, therefore, will be very costly. Government, which is the principal beneficiary, will not have a direct voice in the management and will probably lose to some extent.

There is another aspect which ought not to be lost sight of. Consider for a moment the cost of preparing and maintaining a share-register containing over 1,00,000 names, addressing all these shareholders at least twice a year, sending them a copy of the balance sheet and invitations of ordinary and extraordinary meetings, posting them the dividend warrants and cashing so many warrants, the printing of these papers and despatching them,—all this will cost a very big amount every year. This will be

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required if the Bank is a Shareholders' Bank. A State Bank, on the other hand, will save all this big expenditure, because there will be only one shareholder, the Government of India, and its nominees will run the show. In a State Bank, all this expenditure will not be needed and it will save a lot of money.

**Mr. N. N. Anklesaria** (Bombay Northern Division: Non-Muhammadan Rural): May I know how much money will be saved approximately?

**Mr. B. V. Jadhav:** I cannot say off-hand how much money will be saved, but it will be about a lakh of rupees.

**An Honourable Member:** How has the Honourable Member come to this conclusion?

**Mr. B. V. Jadhav:** If the Honourable Member will see me in the leisure time, I shall try to satisfy him.

Diwan Bahadur Mudaliar stated that, in a large number of countries, Reserve Banks are started with capital supplied by the shareholders and that the instances of State Banks are very few and of recent origin. I was reminded of a verse by the famous poet Kali Das. He says:

"Purāna mityewa na sādhu sarwam, na chāpi kāwyam nāwamityawadyam,  
santah parikshyānyatared bhajante moodah parapratyayaneya buddhihi."

In English it means: A thing is not good for the simple reason that it is ancient nor is a poem inferior simply because it is lately composed. Wise men accept the good one after examination, and a fool is guided by the opinions of others.

**Mr. N. N. Anklesaria:** The question is who is guided by whom?

**Mr. B. V. Jadhav:** The answer is evident and need not be repeated. One cannot say that a Shareholders Bank ought to be founded for the simple reason that no less than 24 or 30 countries have Shareholders Banks, and that a proposal for a State Bank cannot be entertained as only three countries have very recently started them. These three countries had the old model of the Shareholders Banks before them. In spite of this, they took a bold step and brushed aside the old model and adopted a new policy. Two other countries also took the same step. There is something, therefore, in this new idea.

**Sir Cowasji Jehangir** (Bombay city: Non-Muhammadan Urban): May I ask the Honourable Member to try and again remember the speech of my friend, the Diwan Bahadur, with which he was so much impressed and in which he was informed that a large number of banks which had been started after the War were Shareholders Banks?

**Mr. K. C. Neogy** (Dacca Division: Non-Muhammadan Rural): With considerable State control.

**Mr. B. V. Jadhav:** That may be true, but those countries, which have accepted the principle of State-owned Banks, are not also to be rejected on any account.

**Sir Cowasji Jehangir:** I think the Honourable Member said that the few countries that had started Reserve Banks lately had started State Banks, although they had before them the example of Shareholders' Banks. I would like to point out that that fact is not correct.

**Mr. B. V. Jadhav:** With all due deference, I wish to say that I am not wrong. The first of the three countries, when it started the State Bank, had the instance of so many Shareholders' Banks before that country, and, in spite of that, it thought that a State Bank was preferable.

**Sir Cowasji Jehangir:** How many countries have started State Banks since the War?

**Mr. B. V. Jadhav:** I think Australia.

**Sir Cowasji Jehangir:** How many more? Who are they?

**Mr. B. V. Jadhav:** I have tried to show that the personnel of the Directorate in the case of the Reserve Bank will be identically the same, in the Shareholders' Bank as well as in the State Bank. In the case of the State Bank, the Directors will be nominated. In the case of the Shareholders' Bank, the farce of an election will be gone through in the case of some, but, all the same, they will be the nominees or the protege of the Directors. The management of the Shareholders' Bank will be unnecessarily costly. The State Bank will be cheaper in the matter of stationery, printing, postage and such other things. This is another advantage. It will set at rest the mind of my Honourable friend, Mr. Yamin Khan, whom I do not see yet. There is a great deal of provincial jealousy and all provinces consider that Bombay and Calcutta are unduly favoured and other provinces are unduly neglected. Mr. Yamin Khan complained that his province did not get adequate share according to its population. If the share system is done away with, then my Honourable friend ought to be satisfied, because then there will be no jealousy and no province will have any cause to grumble as none will get less than their due share nor will any one get more. If, for no other reason, at least to set at rest this provincial internal jealousy, Government ought to accept the amendment and give up the idea of a Shareholders' Bank. Whatever may be the assertions or the opinions of the advocates of Shareholders' Bank, it is certain that Directors will be susceptible of being directed by Government, that is by the Secretary of State, who will, on the other hand, be guided by the old Dame of the City of London, the Bank of England. This House will have no opportunity to discuss the policy of the Bank, and, even when the policy comes up for discussion, Government will evade all responsibility and throw it on the Directors of the Bank. In the case of the State Bank, there is the same danger of its being guided by Whitehall. In the case of the Shareholders' Bank, there is no direct responsibility on the Secretary of State or his agent, the Governor General. In the case of the State Bank, the responsibility will be directly upon them both. We have come to realise that a British gentleman with direct responsibility over his head can be fully relied upon to do his duty; but, freed from direct responsibility, he will not be so careful and will not be found deficient in intrigue. I should like, therefore, to place the whole responsibility

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on the Government of India by making the Bank a State Bank. The days of Shareholders Reserve Bank are almost gone. Socialism is making great strides in Europe. Communism has received a set-back and there is no danger of its spreading. But the old conservatism is also rudely shaken and even Tory die-hards are not against socialism as they were 20 years or even 15 years ago. One of the planks of the socialist programme is nationalisation of banks. India has unequivocally accepted the policy of nationalising the railways. It is high time that some thing ought to be done to take at least the first step in nationalising the Reserve Bank. A bankers Bank ought to be nationalised first and other banks will follow gradually when the National Reserve Bank will supervise and control the working of the other banks who are all Shareholders Banks. With these words, I support the amendment of Mr. Mitra.

**Mr. N. N. Anklesaria:** Sir, so much has been said about the comparative merits and demerits of a State Bank and a Shareholders Bank . . . .

**An Honourable Member:** But, you were not here.

**Mr. N. N. Anklesaria:** . . . that a mere layman like me is apt to say in the wake of the poet.

"For forms of Reserve Banks let Pandyas contest  
What is best administered is the best."

A perusal of the provisions of the Bill will show that some thing of the same view is taken by its framers. Anybody who has listened to the debates on the present question will be struck with one dominant note about it.

**Mr. K. G. Neogy:** But you have not heard it.

**Mr. N. N. Anklesaria:** But I have read them. That dominant note is suspicion, suspicion of the British Government, suspicion of the Indian Government, and suspicion by Honourable Members of their own countrymen.

**An Honourable Member:** Who went to London ?

**Mr. N. N. Anklesaria:** Suspicion, as is well said by an eminent author, is the child of ignorance. If my Honourable friends, who have delivered orations on the present topic, had taken one-tenth of the trouble to look into standard works on the subject like Schmoller's or George Raphael Levi's or Levoy Bawleiu's—one-tenth of the trouble which they have taken in committing by heart the writings of experts and pseudo-experts in the local dailies and weeklies and in the propagandist pamphlets, I think they would have benefited greatly and they would have helped in the present discussion and much valuable time of this House would have been saved.

**Mr. B. V. Jadhav:** Why are you wasting it?

**Mr. Gaya Prasad Singh (Muzaffarpur cum Champaran; Non-Muhammedan):** Then the Honourable Member can sit down.

**Mr. N. N. Anklesaria:** Sir, the standard works on the subject show that both the Shareholders Bank and the State Bank have their advantages and disadvantages and the latest utterance on the subject which should command respect in this House is by the Minister of Finance of New Zealand who has recommended a Reserve Bank for his country. He says:

"As the functions of a Central Bank are so important and purely national in character, at first sight, it would appear that it should be controlled directly by the State; but the experience of other countries have shown certain dangers to obviate which many Central Banks have both shareholders and private capital. Although there were stringent restrictions and all earnings over a fixed dividend go to the State, the whole idea being to combine the advantages of private management with State control while avoiding the disadvantages of both as far as possible."

**Mr. S. C. Mitra** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): What is the book you are reading from?

**Mr. N. N. Anklesaria:** I am reading from the *Times of India* of 13th October, 1938.

**Mr. S. C. Mitra:** So it is also a newspaper and not any authority.

**Mr. N. N. Anklesaria:** It is a sane newspaper and not a rag, publishing the views of the New Zealand Minister.

**Mr. K. C. Neogy:** That shows his confidence in his own countrymen.

**Mr. N. N. Anklesaria:** Sir, a study of the Bill shows that this ideal is closely approximated in it. It avoids the disadvantages of both the systems and it incorporates in it the advantages of both. It being a wise compromise, it has been declared by a competent authority that, so far as its provisions regarding the functions of the Central Bank are concerned, it is "the last word in central banking"; and I think if one notices the very efficient way in which the central bank idea is adopted to the peculiar conditions of this country, one can justly extend the description to the whole Bill. And, I say, a very heavy burden lies on those who would suggest any amendments as regards any portion of it. I have looked into the various minutes of dissent and I find that that onus is by no means discharged. I am not going to trouble the House with a detailed examination of the various minutes of dissent, but I will take only one, that signed by nine members. The dissenters point out the disadvantages and dangers of a Shareholders' Bank, but, if their statements are examined even cursorily, it will be found that they do not come off well from that examination, and as many of the speakers for the idea of a Shareholders' Bank will be able to show the untenability of those grounds. I would proceed to mention some arguments, much stronger, against the Shareholders' Bank pure and simple that can be advanced and show that those dangers and disadvantages of a Shareholders' Bank have been successfully obviated in the present Bill. Firstly, it must be admitted that, in a pure Shareholders' Bank, the shareholders look to their dividends first and the national interests afterwards, but the framers of the Bill have carefully avoided this danger by restricting the amount of dividend which the shareholders can claim. Five per cent. of their capital is not such a very great amount as would attract adverse criticism against a Shareholders' Bank. You can get five per cent. by investing in Post Office Cash Certificates.

**Mr. K. C. Neogy:** What interest do you expect shareholders to take in this Bank?

**Mr. N. N. Anklesaria:** I am coming to that. The shareholders will take just that interest which shareholders in all concerns the world over take generally. Then, it is said, Sir, and I believe rightly said, that the Shareholders' Bank, being dominated by the desire of increasing the dividend, will enter into competition with ordinary commercial banks, and it would be a very unfair competition, because the Central Bank would be utilising the resources of the State. Now, Sir, that danger is also provided against if we look to the provisions of clause 19 which debars the Central Bank from performing some of the ordinary functions of commercial banks. Thirdly,—and this is a very strong argument against a Shareholders' Bank,—it is urged that it will be a monopoly of the capitalists and possibly of foreign interests. Sir, I quite agree that this would be a real tendency to be guarded against as regards a Shareholders' Bank in India. And the provisions of the Bill regarding the agricultural interests and other interests through the powers of control and management assigned to Directors nominated by the Governor General, who is *prima facie* above all party influences, I believe, affords a sufficient safeguard against this danger.

**Mr. K. C. Neogy:** What about Whitehall influences?

**Mr. N. N. Anklesaria:** As my friend, Mr. Neogy, just interrupted, it is possible that the Governor General may use his powers in furtherance, not of Indian interests, but of British interests, as directed from Whitehall. This difficulty was seen by the London Committee and a discussion did take place there and it was unanimously decided to recommend that, in order to obviate this danger, a provision should be inserted in the Instrument of Instructions to the effect that the powers assigned to the Governor General should be exercised primarily in the interests of India rather than in the interests of Britain. Unfortunately, Sir, that recommendation of the Committee is not to be found in the Report . . . .

**Mr. K. C. Neogy:** Why so?

**Mr. N. N. Anklesaria:** I am not in a position to answer that question but the fact remains that the recommendation of the London Committee is not to be found in the London Committee's Report. I am, however, quite sure, my Honourable friend, the Finance Member, will bear me out when I make that statement on the floor of this House, that the recommendation was made . . . .

**Mr. Gaya Prasad Singh:** Which recommendation?

**Mr. N. N. Anklesaria:** You have not listened to me: I am not going to repeat it.

**Mr. B. Das (Orissa Division: Non-Muhammadan):** Will you kindly read it out from your draft final report?

**Mr. N. N. Anklesaria:** I have not got it with me: but, I am quite sure, my Honourable friend, the Finance Member, will bear me out. . . .

**An Honourable Member:** If you bear him out, he will bear you out.

**Mr. N. N. Anklesaria:** Like criticism was addressed to the New Zealand Finance Member by people in New Zealand, and this was the answer which the New Zealand Finance Member gave to this criticism. He published five explanatory articles to explain his scheme, and the last article replies to some general criticisms not specifically covered in the previous articles, principally the idea that the establishing of a Central Bank means placing the control of the New Zealand monetary system under the domination of the Bank of England and other outside influences. In answer, the Minister points out:

"That the prosperity of the Dominion hinges to a great extent on events in Great Britain, and that it is useless to pretend that we can be indifferent to the monetary policy of Great Britain or do other than work in close touch with the British authorities; also that the Bank of England is always ready to give us the benefit of its knowledge and experience, but that all this does not alter the fact that we are free to manage our own affairs as we think best."

Like answer applies to like criticism in India.

As I said before, the dominant note of criticism addressed against this idea of a Shareholders Bank has been suspicion, and the Honourable the Finance Member has appealed to the House to eschew suspicion. It must be understood by my Honorable friends on this side of the House, who oppose this idea of a Shareholders Bank. . . . .

**Mr. K. C. Neogy:** Nobody opposes on that side!

**Mr. N. N. Anklesaria:** . . . . . that the destinies of India and Britain are indissolubly united for all time to come. . . . .

**An Honourable Member:** For all time?

**Mr. N. N. Anklesaria:** Yes, because I say it is a connection made by Providence Himself; and I say it is butting your heads against a stone wall to ignore it and work against that which has been called a divine dispensation. You have got to take account of British interests, British susceptibilities have got to be respected (*Ironical cries of "Hear, hear!"*), just in the same manner as the susceptibilities of our countrymen, if this Central Bank is to work smoothly in the interests of this country. The greatest danger of a State Bank is that pointed out by the Finance Member, namely, that the Government are tempted to resort to the printing press instead of to taxation. It must be remembered that the future Constitution of India will be on democratic lines.

**An Honourable Member:** Really?

**Mr. N. N. Anklesaria:** That is what is said; and, in all democratic Constitutions, party Government prevails. There are always two parties, the party in power and the party in opposition and the Government are really the party in power, and the party in power, if it has got the choice when election times come, eschew proposals for taxation and resort to the printing press rather than face the electorate with proposals for fresh taxation. An instance in point is furnished by what is happening in France for the last

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three years. Government after Government have gone down, because they have dared to propose taxation in order to balance their budget and, not loans as political influences would dictate. If we remember what the real *raison d'être* of a Central Bank is, then I believe there could be absolutely no question as to which sort of bank we must go in for in India—Shareholders Bank or State Bank; I shall read from page 27 of Leaf's book on Banking:

"The problem everywhere has been the same—to obtain the benefits of a 'fiduciary' currency, that is a currency based upon the credit of the issuer, while avoiding its great danger. The benefits of a paper currency are first a great economy, namely, the use of a very cheap machine of paper in place of a very expensive one of gold; and, secondly, an immense elasticity; a fiduciary currency can be expanded at will to meet the needs of commerce and industry. . . ."

**Mr. S. C. Mitra:** What is the substance of it all?

**Mr. N. N. Anklesaria:** The substance of it is that when the printing press for currency notes is controlled and is in the hands of the Government, the Government are likely to print more notes than is necessary or advisable in the country. . . .

**Mr. B. Das:** Is that not an insult to the present Government?

**Mr. N. N. Anklesaria:** You are abusing the Government for it sometimes. History furnishes us with very instructive instances of how Governments have resorted to the printing press when the power has been with them rather than face electorates with proposals for taxation. Instances are suggested by the French "Assignats", the American "Greebacks" and possibly as my friend, Dr. Ziauddin Ahmad, would say, the ratio question in this country. . . .

**Mr. K. C. Neogy:** What about Bradbury's notes in England when the Bank of England refused to issue them?

**Mr. N. N. Anklesaria:** Another disadvantage of a State Bank is its inability to transact ordinary commercial business with efficiency. Ordinary commercial banking business first and foremost requires foresight and daily touch with the daily changing conditions of the market. You cannot expect a Government officer, as compared to a private individual, to come up to the required standard, and a very instructive instance of what a great disadvantage this is in the case of a State Bank is furnished by the instance of Russia. A detailed account of how the Russian State Bank was unable to sufficiently work as a commercial bank to the great detriment of the financial interests of that country is to be found in the book of George Raphael Kevi and, as I have not got the book here, I cannot quote from it; but the whole thing, this particular danger of the State Bank, is well pointed out in the book.

**Mr. B. Das:** You are an anti-communist. I find?

**Mr. N. N. Anklesaria:** I am, Sir.

Then, Sir, the third great disadvantage of a State Bank is the facility with which all nascent democracies monopolise executive functions to the

great detriment of national interests. As is shown by the history of France, in the second and third year of the French Republic, France was governed without a Government. The Legislature put up its own Committees to govern France. The result was a financial chaos and it took several years for France to recover from it. And I say, Sir, if we do not profit by the lessons of history, if we do not profit by the advice based on the knowledge and experience of the best banking and currency authorities in the British Empire, then, I am afraid, history is likely more than not to repeat itself in India. For all these reasons, Sir, I support the idea of the Shareholders' Bank, and I oppose this amendment.

**Nawab Major Malik Talib Mehdi Khan** (North Punjab: Muhammadan): Sir, at the outset, I must admit that I make no claim to possess expert knowledge of monetary problems, but I have kept my eyes open and have been reading in the papers that the world is passing through economic depression, the like of which has very seldom been witnessed at least in recent years. Several causes are being ascribed to it, the foremost being that, after the Great War, many nations indulged in very heavy output of raw materials and finished articles, which the world could not absorb. Another school of thought holds it to be the result of defective monetary system, in vogue in many countries. India has her share of these calamities, a lion's share of them, because her chief industry, namely, the agriculture, is ruined. It was, therefore, a wise step on the part of Government to bring out a measure which contemplated (with some improvements of course) to remedy these evils. The present policy is defective, because its function is divided. The currency and exchange problems are controlled by the Finance Department, while the credit by the Imperial Bank. This cleavage often gave occasion to outside influence to be exerted to the detriment of Indian interests. The Reserve Bank has clear functions assigned to it, which will be open to public criticism and ought to satisfy Indians and gain their confidence. Another salient point of the scheme is that there will be co-operation between the Central Bank and other Banks.

I have shown above that the creation of a Reserve Bank was a desideratum, and it was not done a day too soon. The next point for consideration is, whether a State Bank or a Shareholders Bank will suit this country. I fail to understand when every effort is being made to reduce State interference to a minimum in every department, why an exception is sought to be made in this very important measure, namely, the monetary policy of the country. The present policy practically all over the world is that the people should be left free to run their own business, and the same principle is being gradually adopted in India. It is, therefore, quite inexplicable why this most important scheme is denied the privilege of democracy. Honourable Members of this House know that most advanced countries of the world have Shareholders Banks. Sir Basil Blackett, on the Reserve Bank Bill of 1927, said in the Legislative Assembly:

"The Government believe that the shareholders' plan is far more satisfactory than any which has yet been before them, and they have other reasons for preferring it, namely, that the plan is one which would be understood in the rest of the world, and the rest of the world will feel that in dealing with the Reserve Bank of India, it is dealing with something it can understand and whose constitution it can appreciate."

[**Newab Major Malik Talib Mehdi Khan.**]

Sir Purshotamdas Thakurdas' reply was:

"What does it matter whether that (Reserve Bank of India) is applauded by the rest of the world forthwith or not? The question is whether the institution is suitable to India or not";

and, according to him, it was not. He goes on further and says:

"We at any rate cannot be a party to what may be approved of in England, America, Germany, France and Russia."

With due deference to the opinion of such an eminent authority on economics, as Sir Purshotamdas Thakurdas, I cannot agree with him, because India is not a self-contained country. She has to deal with the outside world, which must satisfy itself whether her (India's) monetary policy is sound and acceptable to it. He must be devoid of senses who is ready to sacrifice the interests of his country simply to purchase the goodwill of the other parts of the world; but we cannot afford to ignore its opinions, where we have such large stocks of raw material to dispose of. We have to depend on foreign markets for the purchase of all sorts of finished articles. I admit, the Bill before us is not perfect, we must try to improve it and work hard to make the Honourable Sir George Schuster accept our view where the measure does not do justice. But I will appeal to the House not to throw it out as was done in 1927, a mistake which is being realised by every one now.

**Mr. Jain,** Reader and Head of the Economics Department in the University of the Punjab, in his book, "A Reserve Bank for 1 P. M. India" describes a Central Bank as "the people's agency to govern their supply of currency and credit, free from any undue influence of politics or profits". Reviewing the present position of Indian currency and credit, the same authority says:

"Nor is there effective provision for meeting seasonal variations so prominent in an agricultural country like India due to the requirements for financing the movements of crops."

We have now to see whether the new Bill removes this defect and I am constrained to point out that it has fallen very very short of doing it. It is an admitted fact that agriculture holds the foremost position in the industrial world, as all other industries depend on it. India being predominantly an agricultural country, the prosperity of all classes is dependent directly or indirectly on the cultivator, and any policy that affects him adversely affects every one else. I cannot do better than quote Lord Linlithgow, Chairman of the Royal Commission on Agriculture, who said on the subject:

"Raise the purchasing power of the ryot, and help him to raise himself out of his present terribly depressed condition, and, in one stroke, you will give to industry, to manufacture, and to commerce an extended field for service, and so for legitimate gain."

The agriculturists constitute 85 per cent of India's population, and I take this opportunity to raise my voice on their behalf, who are called the backbone of India's population. We all profess that we follow the majority. We all say that we desire the greatest good for the greatest number. May I put a direct question to those who express those sentiments, does our action follow our word? I leave them to answer it. Now, I appeal in the name of India's teeming population, of agriculturists and depressed classes, that we should not ignore their interests. We should not sacrifice the interests of 85 per cent for the benefit of 15 per cent. I desire to visualise in what manner the interests of the landed

gentry will be safeguarded. I wish to know whether the poor ryots deserve greater sympathies and their case will receive adequate consideration in the Bill before the House. The Government always professed that they had great regard for the interest of land, but they never legislated anything for extricating those who work on it from the slough of despond. The urban classes are served liberally in every respect due to their favourable position, because they live near the seat of Government or their officers. We do not entertain any grudge whatever against them; all we desire is that step-motherly treatment should not be vouchsafed for their brethren who toil day and night to provide them with necessities of life.

It was a real surprise to me the other day when I saw a highly polished gentleman and a statesman of the front rank losing temper on a very trivial matter. I strongly deprecate bringing up communal questions in the House, but occasions arise when the interests of minorities have to be pushed forward and justice requires that their case be heard with patience. The most depressing aspect of the case is that no regular effort is made to study their condition on the spot, and, if an attempt is made to ventilate it on the floor of the House, a storm of indignation is the result. I appeal to my friends that they should patiently hear their tale of woe and help them to stand on their legs. This state of affairs is very aptly described by the famous Persian poet Hafiz in a passage which runs as follows:

*Shab-i-tárik, bim-i muj gardábé chunán hail  
Kujá dánand hálé má subukésráne sáhil há.*

When translated, it means:

"The night is dark, the waves are howling, and the whirlpool is so dangerous, how do those who are perched on lofty coasts know the condition of those sufferers of the storm?"

Sir, I apologise for this digression, namely, alluding to the unfortunate incident mentioned above, but I had reasons for it which have been explained.

Reverting to the Bill, I am grieved to find that it makes no definite provision for landed classes. The Reserve Bank is defective in ignoring indigenous banking. There is no doubt that in many respects their accounts are often irregular, and are not properly audited. These defects and others ought to be rectified and they should be linked with the Reserve Bank. They discharge very useful purpose in financing trade and agriculture. The modern banks serve the upper surface, while these bankers and moneylenders reach the bottom and help all those petty traders and zamindars who will starve but for the help they receive from these agencies. The most important branch of this system is the co-operative banks, which function under quasi-official agency. These banks practically hold the monopoly of serving the landed interests and hence are most useful to the economic life of the village. But they suffer from inadequacy of funds, and have thus failed to save the agriculturists from running into very heavy debts by raising funds from other sources.

Sir, a motion was moved in the Assembly the other day for the creation of a separate department under the Reserve Bank for this particular service, but it was withdrawn in order to be moved in some other form. The Finance Member, as far as I remember, held that the Local Governments were the proper authorities to move in the matter. No doubt, but we want a specific and liberal provision in the Act as we cannot live on pious hopes any longer.

[Nawab Major Malik Talib Mehdi Khan:]

Sir, I would be failing in my duty if I omit to put up a definite but very urgent point for the consideration of the House. The interests of the land now rest on two points; (1) that some way is to be found for raising the prices of agricultural products . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair has allowed very considerable latitude to the Honourable Member, but the amendment before the House is whether the capital of the Bank should be subscribed by the shareholders or by the State.

**Nawab Major Malik Talib Mehdi Khan:** All this is related to that. (2) That the rate of interest prevailing in towns and villages should be reduced to a level comparable to the bank rate of interest.

If the prices are not immediately raised, the whole fabric of village organisation will break down and this will lead to a situation much more disastrous than the break down even of the monetary position of the country. Sir, it is a fact that the rate of interest in villages is 10 to 40 times, if not more, as great as the bank rate of interest and several times greater than the Government revenue. The tenants and the landlords are groaning under the heavy burden of debt, which runs to thousands of crores. The Bank cannot reduce the indebtedness, but it should be able to stop further accumulation of it. This is the point which we should have most prominently in mind as all other problems are of secondary importance in comparison with it.

Sir, I have dealt with one aspect of the Reserve Bank only, namely, its shortcoming with regard to agricultural interests. The other points have been very ably discussed by my Honourable friends, Dr. Ziauddin Ahmad, Sir Cowasji Jehangir, Diwan Bahadur Mudaliar and Mr. Neogy, and I have nothing to add to their statement of the case. I have only one or two further remarks to make before I close. The Reserve Bank has been described as the foundation stone of the Reforms structure. They are overdue and everyone is most anxious to start with them. It has been made quite plain that the British Cabinet is not going back on its word, but none can foretell a change, which may come any moment, because European Cabinets are working under high pressure nowadays and it is no wonder that one or the other may break. If it happens in England who can say that we may not have to deal with Mr. Churchill and his other colleagues? Hence it is to our advantage that the bank controversy is finished and we set to work the new reforms after it is established.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

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The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

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**Sardar Sant Singh** (West Punjab: Sikh): Sir, when the Bill was first introduced in this House, I knew very little of the subject. I began to study it with a view to understanding the subject, so that I might be able to intelligently take part in the deliberations over this Bill. After going

through the various books on the subject, I formed the opinion that, as the other countries have adopted a scheme of Shareholders' Bank, this should be the best for this country as well. At the same time, I found on reading paragraph 3 of the recommendations of the London Committee that the committee accepted the principle "That the Reserve Bank should be free from any political influence". The Committee proceeds:

"The best device which the practical experience of other countries for achieving this object has evolved is that the capital of the Bank should be held by private shareholders and we recommend that this plan should be adopted in the case of India."

Therefore, the obvious course to adopt for India was to constitute a Central Bank on the Shareholders Scheme. At the same time, it was clear that a Shareholders' Bank would be more or less in line with the present democratic ideas when constitutional problems were on the anvil. There did not seem to be any reason why the Bill should adopt a scheme of a State Bank when other countries had come to the conclusion that a Shareholders' Bank was the best plan. I had no suspicions then that a Shareholders' Bank would not fit in with the actual conditions of India. The first shock came to me when I began to study the meaning of the phrase "free from political influence". What did it, what could it, mean in the case of India? Obviously, Sir, it is desirable that a Bank which is going to control the credit and the currency policy of India should be free from political influence. There can be no doubt with regard to the principle, and no objection to its being given effect to in the scheme of the Bank which was to be constructed for India. But, what did the phrase mean? At this time I came across a writing in a British financial journal, *The Banker*, wherein the writer wrote, while commenting on this Bill:

"All this shows that in its foundations at least the Bank will be completely free from any Indian political influence."

The word "Indian" jarred on my ears. I re-examined the provisions of the Bill, especially those relating to the management and control (clauses 4, 7, 8, 9 and 15). I found that the paper was quite correct in its comments when it said that Indian political influence had been eliminated from the constitution of the Bank. But, what about the British political influence? The influence of the City of London? Is it going to be a policy designed in the interest of India, or is it going to be a policy dictated by the interest in Whitehall? That was the question which was to be looked into. Looking into its provisions, I found that the scheme, as adumbrated in the Bill itself, would not give us a Bank which would be free from "any" political influence. In the whole scheme, we found that, out of 13 voting Directors four would be nominated by the Governor General in Council. The Governor and two Deputy Governors will be appointed by the Governor General in Council, though on the recommendation of the Central Board. The life of the first Central Board, which will be an entirely nominated body, will be long enough to set a policy for the Bank. In all other minor matters, I found that this bank, as constituted, would not be free from political influence of all sorts. Sir, I am willing to subscribe to a Shareholders' Bank if the Honourable Member is prepared to eliminate at least these two provisions from the Bill that there would be no power of nomination vested in the Governor General, that the Central Board, as constituted, would have full liberty

[**Sardar Sant Singh,**]

to control the credit and the currency policy of India as it thought fit, and that, in the appointment of the Governor and the Deputy Governors, the Governor General in Council shall have no voice.

**Hony. Captain Rao Bahadur Chaudhri Lal Chand** (Nominated Non-Official): Then who will have the voice?

**Sardar Sant Singh:** The Central Board, as elected by the shareholders.

Sir, I do not attach much importance to the fact, as has been argued by some Honourable Members on this side of the House, that the electors have very little voice in the election of the Directors. I am quite willing to concede this argument that, if the electors do not choose to elect, it is not the fault of Government or other authorities. Neither would it be the fault of the Central Board, but it would be the fault of the electors themselves. The one point, Sir, which makes me very suspicious about this Bank is that this Bank, I am afraid, is not going to be free from political influence of all sorts. My friend, Mr. Anklesaria, while speaking on this motion this morning warned us that the dominating note in the speeches on this side of the House was suspicion. Soon after, while discussing his own work in the London Committee, he found that probably he would have been better advised if he had been a bit suspicious when he signed the report of the London Committee. He told us that, during the discussion, he was given to understand that a clause in the report will be put in by which, in the Instrument of Instructions, it will be laid down . . . .

**Mr. N. N. Anklesaria:** I never said that.

**Sardar Sant Singh:** I understood the Honourable gentleman to say that he did put forward a point of view in the London Committee that, in the Instrument of Instructions of the Governor General, some provision will be made whereby freedom from Whitehall will be guaranteed.

**Mr. N. N. Anklesaria:** That is so.

**Sardar Sant Singh:** But where was it in the report? It is not to be found in the report. My point is, why did he sign the report when this recommendation was not put in?

**Mr. N. N. Anklesaria:** I never said that it was decided that the matter should be put in the report. I said that provision should be made in the Instrument of Instructions. I think the Committee took it for granted that that would be done.

**Mr. B. V. Jadhav:** May I ask the Honourable gentleman whether the Committee accepted that view?

**Mr. N. N. Anklesaria:** Oh, yes.

**Mr. B. V. Jadhav:** Then why was it not put in the report?

**Mr. N. N. Anklesaria:** I do not know.

**Sardar Sant Singh:** The position of my Honourable friend becomes a little awkward when he says that he did not want it to be put in the report.

**Mr. N. N. Anklesaria:** I did not say that. I said there was no talk about its being put in the report. Possibly everybody took it for granted that it would be put in the report.

**Mr. R. S. Sarma (Nominated Non-Official):** The Honourable Member is a signatory to the report and if any decision had been taken unanimously, as he pointed out this morning, then it ought to be incorporated in the report and, if it was not put in, was it not his clear duty to read the report before he signed it? Inasmuch as he has signed the report, was it not extraordinary that he did not know the reason why it was left out?

**Sardar Sant Singh:** I am glad that I have got the advocacy of a staunch speaker like Mr. Sarma who has come to my help and I am thankful to him. To me, Sir, trusting others is a virtue. A trustful nature is a virtuous nature and I give my friend the credit for it; but, in political matters, when we know what has been the experience of this House, we have to be a bit careful when we are signing a report and when we are dealing with monetary matters. If we look to the recent speech, made by Lord Lloyd in England, about the condition which will prevail in England if India got out of the hands of the British, and look at the description he gave that England will become absolutely poverty-stricken if India got out of her hands, we find that the past theory of their being the trustees of the voiceless millions of India goes to the winds. If England has derived so much benefit from India as a trustee, I think the ordinary principle of law is that, if a trustee gets any benefit out of the trust, it belongs to the *cesta que trust* and not to the trustee. I think the Honourable the Law Member will agree with that view point. Under the circumstances, in matters relating to currency and credit of India, we should naturally be on our guard in finding out whether a particular scheme is in the interests of India or not. I will certainly support a shareholders scheme; I myself like it; I love it, provided the Honourable the Finance Member were to give us an assurance that political influence from Whitehall or from the City of London will be entirely eliminated from the management and control of the Bank. It will go a long way to satisfy us if he were to take away the powers of the Governor General for the nomination of persons to the posts of Governors and Deputy Governors. With these words, I am constrained to support the amendment proposed by Mr. Mitra.

**Dr. F. X. DeSouza (Nominated Non-Official):** Sir, with your permission, I should like to make a very few observations on this amendment and I shall bear in mind your warning to be as brief as possible and not to repeat any of the arguments that have so far been advanced.

Honourable Members will remember that the issue as to whether the Bank should be a State Bank or a Shareholders Bank was the rock on which the Reserve Bank Bill of 1927 crashed. Much water has flown under the bridges since then, and today it must have been a most edifying sight to the Honourable the Finance Member to see leader after leader walking to the Stool of repentance and recanting their heresy. The first amongst the penitents was my friend, Mr. B. Das, who sorrowfully confessed that, if he had voted in the right way in 1927, the economic history of this country during the last five or six years would have been differently written. Then came my Honourable friend, Bhai Parma Nand, who bluntly stated that the vote of 1927 was a perverse vote and, if today, the Honourable

[Dr. F. X. DeSouza.]

the Finance Member had come out with a proposal for a State Bank, the opposition would have voted for a Shareholders' Bank. Then came my Honourable friend, Mr. Ranga Iyer, the young man eloquent of the Assembly, who seemed to have a prophetic vision of himself being haunted by despair five years hence if he voted for a State Bank today. I do not mean to say that there are no die-hards on the opposite side who still adhere to the State Bank view. Amongst these is my Honourable friend—who, I regret to say, is not in his seat—Dr. Ziauddin Ahmad. In describing the position of the shareholders under the Reserve Bank, he described them in a phrase which has become almost a current coin in this Assembly. He said, they were *nimboo-nichor* shareholders, meaning to say that they belonged to the happy fraternity which apparently exists in Delhi who, for squeezing a few acid lemon drops in the meal of their host, were rewarded with a sumptuous meal which they could partake. But, if my Honourable friend had reflected a little more, he would have found that the position of the shareholders under the Reserve Bank Scheme is different from the position of the *nimboo-nichor* guests; for, the meal that the shareholders will enjoy, by subscribing to a Rs. 100 or Rs. 500 share, will be a meal consisting of a five or six per cent. dividend, and the rest of the profits under the scheme will go to the State. The sumptuous meal, therefore, which they will enjoy will be more or less a vicarious meal and I will almost call it a meal of Tantalus. It is this consideration that makes me throw out a suggestion to the Honourable the Finance Member whether it would not be worth his while to keep alive the interest of the shareholders and to provide not a fixed rate of dividend of only five or six per cent., but to provide a sliding scale up to ten per cent. according to the profits made by the Bank in the course of its working. That is only a suggestion that I throw out for such consideration of the Honourable the Finance Member, because I think it is possible that, by a provision of this kind, an incentive will be supplied to the shareholders to take greater interest in the working of the Bank.

The next die-hard was my Honourable friend, Mr. Neogy, who described the position of the shareholders in this Bank as being that of a smoke-screen in order to enable the Governor General to bring his influence to bear upon the shareholders. But, as was pointed out by the Honourable the Finance Member, the position of the Governor General in this matter is that of a constitutional ruler and, as in all constitutional countries, he will have his part to play in guiding the finances of the country. But that does not mean that, when he makes suggestions on questions of high finance, it is a question of politics; it is rather a question of high policy; but when the Minister of the day interferes in the day-to-day administration of the Bank, it is a question, not of policy, but it is a question of party politics and, as pointed out by my Honourable friend, Mr. Anklesaria, this morning, when it is a question of party politics and when the Finance Minister is at his wit's end to balance the Budget, and chooses to resort to the printing press rather than fresh taxation, it is more than politics, it is a matter of knavish tricks which have to be frustrated.

How then does the shareholders plan, as outlined in the Reserve Bank Bill, differ from the plan of a State Bank as imagined by Honourable Members on the other side? In a most brilliant and exhaustive speech, my Honourable friend, Mr. Mudaliar, attempted to show that, so far as the practical working of the Bank goes, there will be no difference whatsoever between a State Bank and a Shareholders' Bank, because he said that when once this Assembly, under the scheme of the State Bank, nominated a

certain number of Directors to serve on that Bank, this Assembly would be *functus officio* and will not be in a position to exercise any further influence on the policy of the Directors. But I venture to think that my Honourable friend, Mr. Mudaliar, has proved too much or attempted to prove too much, because I think the Directors nominated by the Legislature will have to be grateful to the Assembly for so nominating them. Some cynic has defined gratitude as a lively sense of favours to come and to obtain future favours and to obtain re-nomination, is it not likely that the Directors would always have an eye on the party in power of the day in directing the policy of the Reserve Bank?

Curiously enough, none of the Members on the opposite side has disclosed what scheme of nomination of Directors they have in view but if they follow the scheme, as agreed to finally by the majority of the Members in the Bill of 1927, it would include four members nominated by the Governor General, three elected by the Central Legislature, three elected by the Provincial Legislatures and two each by the Federated and Associated Chambers of Commerce and one by the Provincial Co-operative Bank. Now, I would ask, if Members of this Assembly were elected by their constituents for representing them in the Assembly, would it be right that their activities should be directed to the working of the Reserve Bank which, after all, is a purely business concern? I venture to submit that the result would be bad politics and bad business. And if the Directors in the State Bank are not responsible to any body, the result will be, to my mind, they will function *in vacuo* and gradually they will become subservient to Government.

To me it is a matter of surprise that the champions of democracy, who occupy the opposite Benches, should have advocated not a Shareholders Bank, but a State Bank. This Bill is probably the greatest measure of financial liberalism which the Government of India have introduced in this Assembly. If it is passed into law, it will become the Charter of the Financial Swaraj of the country just as the White Paper will become the Charter of Political Swaraj in the country. No doubt, there are safeguards in both, but as my Honourable friend, Mr. Ranga Iyer, has said, half a loaf is better than no bread, or there is another English proverb, equally appropriate, which says "Enough is as good as a feast".

Sir, if really the democratic instincts of the opposite Benches were consulted, it is not for a State Bank that they should agitate, but it should be rather for lowering the franchise, it should be for giving one vote for one share of Rs. 100, it should be for abolishing the plural voting, so that not only we shall have one share, one vote but one shareholder, one vote. By this means, as pointed out by my Honourable friend, the Leader of the Independent Party, the danger of predominance of non-Indian interests will be avoided.

There is one more point. If Honourable Members on the other side were to go on stumping the country asking every rural voter to buy shares and to register votes, and if a provision is made in the Bill or by rules under the Act that general meetings should be held in such manner as to enable all the rural shareholders to register a vote, we shall have a democratic financial régime. My Honourable friend, the Leader of the Opposition, said that the elections by the shareholders would be held in such manner as to enable all the shareholders to register their votes, and it would be just as the election was held for the local legislatures. I have carefully read the Bill, but I find nothing in the Bill to justify that statement.

**Mr. N. N. Anklesaria:** That will be in the rules.

**Dr. F. X. DeSouza:** If those are to be the rules, I respectfully suggest that meetings should be so arranged that all the shareholders in the rural areas will be able to register their votes, and that the meetings should not be held in large capital cities like Madras, Bombay or Calcutta, because it would be impossible for shareholders to attend and register their votes.

**Sir Cowasji Jehangir:** He can vote by proxy.

**Dr. F. X. DeSouza:** Even by proxy it would not be possible for a man living in a remote district like Canara, for instance, to register his vote in Bombay. That is a suggestion which I very respectfully throw out for the consideration of the Finance Member, because I think it is in this way that this Bill would be liberalised and the clear object of democratising the finances of the country would be achieved.

**Mr. Lalchand Navalrai** (Sind: Non-Muhammadan Rural): Sir, I have not put forward my view on this very vital and important question. The sole question before the House on this amendment is whether we are in favour of a Shareholders Bank or a State Bank. On this point I must, first of all, say that my view is not for a Shareholders Bank, but for a State Bank. In this view I am backed by the majority of the people outside, and the first point to be considered in connection with any matter that the Legislature passes here is to respect the views of persons whom they represent here in this House. On this question there can be no doubt. It cannot be denied that at present there is a good deal of discussion outside this House on this momentous question. I have come to this view after full consideration and after I have been put in possession of facts concerning this very essential question and also after hearing the eloquent and able speeches of several Members here. I have not yet been made to convert myself from the opinion that I held when this discussion was going on in the party to which I belong. In the Democratic Party, to which I belong, the question was considered from all points of view and specially from the national view point. The Democratic Party stands no doubt,—and I hope no one will dispute it,—for the national welfare. In that party, we have the full strength and I have no complaint to make, as was made the other day by an Honourable Member on this side of the House that, when they considered it in their party, they were only four. But, Sir, this question was very thoroughly considered and I think the Democratic Party solidly sticks to what they have decided in that meeting. Then, Sir, I was also not like some of my friends here who were not apprised of full facts. I am referring to Bhai Parma Nand on this point. I very much respect him for his views and I was very glad to hear him say that he considered this question more impartially. I give him credit for doing so, but I must tell him that he did it without the full implication of the facts before him. When he was putting the matter before this House, perhaps he had an impression that whether it is a State Bank or whether it is a Shareholders Bank, this House or the representatives of the people will have some voice. It was pointed out to him then that it would not be so. If so, then, I must say that it would be still more impartial not to differ from his party on this question.

Then, Sir, coming to this question of State Bank or Shareholders Bank the first question to me is this: Is it or is it not that, in the Shareholders

Bank, the masses do not get the benefit that they will get in the State Bank? That is the main question with me and I think the answer is very obvious. The point to be considered is, where will the dividend go? Will the dividend go to only a few or even to a large number of shareholders, or will it go to the people at large? If the dividend goes to the shareholders then I would not call it a Shareholders Bank, but a rich man's Bank. Rich men, who have large capital to invest in banks, will be benefitted and will hold a prominent position in the Bank, and so they have got a justification for coming here and saying that a Shareholders Bank will be much better than a State Bank.

In considering this question, there is another point that strikes me very much. In this House, beginning from the Finance Member down to those who support Government, everyone has said that we should not be suspicious, we should leave off distrust; and we are told that in this matter there is nothing underhand and that we should not be at all doubtful. But, Sir, I may say that to me the facts give a different story. In my humble opinion, it seems to me that the people have a just cause for distrust. What has been the history of the past up to now, and what is it that is expected? In 1919, we got the reforms, and it was expected that, within ten years, we shall have another instalment of reforms. The people thought that to wait for ten years more would be too much and they asked earlier that they should have dominion status, or a very large instalment towards dominion status. Then came the Simon Commission. The Simon Commission came apparently to hasten matters; but not only those ten years have passed, but the deliberations are still going on endlessly, and dominion status is still to come. But, on the facts and the past history, the point to consider is whether the reforms are being whittled down or not before we actually get them. Take the first instance which will show you that there is no dominion status to be obtained nor even any substantial reforms. The first instance is the Railway Board. We have had a little voice in the Railway Board even though we are usually answered that matters are under investigation, and so forth. But still we have some voice. Where will be that voice of the House, or, in other words, the voice of the public when the Statutory Railway Board comes into being? The next instance was the Indian Medical Council Bill. There also we saw the attempt made to give preference to the British people; and, even with the Bill that has been passed, that will be done. This was the second thing we got in advance of the reforms. Those gentlemen who went to London and attended Committees may say that we are still going to get what we want; but the people have every reason to be disappointed. And now comes this Reserve Bank Bill. This means a hold on our finances—before we get any reforms they are going to take away our powers in this manner: the currency is going to be taken into the hands of persons in whose choice the people will have no voice. Considering all this, I say that the people have a strong case for asking their representatives to give their free views on this very important public question. Certain arguments have been put forward in some quarters very eloquently and forcefully. I am sorry, the Honourable Diwan Bahadur Mudaliar is not here. I must give him credit for his advocacy, at least on the question to which he was committed: I will admit, it was powerful advocacy; but, after all, it was advocacy which has not converted many people. I may not have any right to touch the higher personage, Sir Cowasji Jehangir, the Leader of the Opposition. I believe, when he was in England, he also had committed himself on this question; and, having

[Mr. Lalchand Navalrai.]

so committed himself. I think the remark that was made the other day on this side of the House was perfectly correct—that he was not acting like the Leader of the Opposition, but like a leader of the position.

An argument has been put forward very forcibly that other countries have all Reserve Banks and Shareholders Banks, excepting three; and why should not India have a Shareholders Bank also? That was the argument that came from Diwan Bahadur Mudaliar, and when we investigate it, it shows an one-sided view. It is true that other countries do have Shareholders Banks; but is there no distinction or difference between this country and those countries? Are not those other countries, countries of the people for the people and governed by the people? Or are they countries like India dependent upon other people? In those countries, it is not only the Shareholders Bank that is in the hands of the people, but they have a hand in every walk of life: they have the destinies of their own countries in their own hands. Here we are in the hands of the British people and we are being guided in this manner.

On this question of the Reserve Bank, both sides have been put very plainly before the House, and it is now for this House to decide for themselves and with their conscience and not to be guided away by any one. First of all, we are still at a disadvantage with regard to the decision that is going to be taken on this question: there is no doubt about that—I mean about our strength on this side; it is to a large extent our own fault: we are always keeping our strength less than the other side of the House: the House knows that there are many absentees in this House and so the national cause is affected many a time; and even now some of them are absentees. . . . .

**An Honourable Member:** Whose fault is it?

**Mr. Lalchand Navalrai:** I have already said, it is our own fault; but the remedy is partly in our hands: let this voice reach the country to bring forward those people who are absenting themselves, so that they may be present here: otherwise they should resign from this House. On this vital question of the Reserve Bank, we stand in need of the advice and guidance of the stalwarts in this House: and may I not ask, why is it that Sir Ibrahim Rahimtoola, our ex-President, and that able lawyer, Mr. Rangachariar, are not in the House? If only they had been here, they would have guided us and not only given us their support in argument, but also to increase our votes. . . . .

**An Honourable Member:** But they are ill.

**Mr. Lalchand Navalrai:** There are two provisions in the regulations: if members go to England or foreign countries, then it is for the Governor General to appoint others in their places. That is electoral rule 26; and then section 98 (2) of the Government of India Act says that, if a member is absent for two consecutive meetings, then his place may be filled up. If that is done, we will have no cause at any rate to say that our strength in voting is reduced. I know the Government are adamant on this Reserve Bank Bill, and I would only ask. . . . .

**Mr. D. N. O'Sullivan (Bombay: European):** Are you in favour of a State Bank or not?

**Mr. Lalchand Navalrai:** I presumed that the Karachi lawyer understood me. I have already said that I am in favour of a State Bank from the very beginning and very loudly too. (Laughter.) The point that has now to be decided by the House is whether, in the public interest, we should vote for the State Bank or for a Shareholders Bank. I have said enough upon that.

There is one thing that remains: the debt that I have to pay to the Honourable Mr. Sarma. He has been asking me to pay that debt with some interest, but I have told him that I will not treat him in the manner in which he treats other Members in this House. In my absence, he referred to me—of course I cannot reproduce exactly what he said: but I must tell him that it is no use taking advantage of the absence of Members; because if I had been present, perhaps in the heat of the moment, I might have given back with compound interest, but at present I will only say this. . . . .

**An Honourable Member:** Pay him back in his own coin.

**Mr. Lalchand Navalrai:** I will not even do so. I will say only this; that if he thinks, that any one is a jack of all trades, he must know that he himself is master of none. With these words, I close.

**Mr. Gaya Prasad Singh:** Sir, this is a very important point, and I do not want to cast a silent vote. That is the reason for my standing up to say just a few words in support of the amendment which has been moved by my Honourable friend. My first contention is that the Assembly in 1927 and 1928 unanimously adopted the principle of a State Bank as opposed to a Shareholders Bank; and, so far as my recollection goes, the Government of India of the day also accepted the principle of the State Bank: I do not know what has happened during these four or five years that has made the Government change their position; that is one aspect of the question on which I hope my Honourable friend, the Finance Member, in the reply which he will give will enlighten the House.

Then, Sir, as we all know, clause 17 of the Bill enumerates in great detail the functions which the Reserve Bank will be called upon to perform in the new orders of things, and, considering the important and far-reaching character of some of the business which it will have to perform, it is necessary that the Bank should be placed in the hands of those in whom the public of this country will have great confidence.

Sir, as has been pointed out in this book, a very useful book, called "A Reserve Bank for India" by Professor L. C. Jain, it is absolutely necessary that the people of this country should have utmost confidence in the Bank. This is what Professor Jain says at page 9 of this Book, which I command to Honourable Members:

"A Central Bank is thus both a Banker's Bank and a State Bank in the sense that it serves both the Banks as well as the State. But it is more. It is the nation's Bank which exists for the larger service of the nation; sectional interests having no place in it. This fact will explain the importance which attaches to the proper constitution of a Central Bank, for an ill-conceived Central Bank can be a source of much national harm, just as a well-planned Central Bank is an asset of great national good."

It is obviously essential that the Central Bank should be established with the utmost confidence of the people. I do not want to say that the Government, as at present constituted, command to a very large extent

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the confidence of the people; but, in the new order of things, which some of us envisage, because the reforms are going to come soon and the representatives of the people will have a larger voice in the Government of the country, it is very desirable that this Bank should be run by the State, irrespective of sectional interests as will be inevitable in the scheme of a Shareholders Bank.

Some of my friends like Diwan Bahadur Mudaliar and Mr. Anklesaria referred to the constitutions of most of the other countries of the world where Shareholders Banks have been established. Now, the first condition is wanting so far as this country is concerned. Are the political conditions prevailing in the other countries the same as those obtaining in this country at the present time? I know, in Austria, they have a Shareholders Bank, but Austria is being governed by Austrians. In Japan, they have a Shareholders Bank, but Japan is being governed by the Japanese, and, in other countries where Shareholders Banks exist, they are being run and managed by their own nationals; while, in this country, the facts are otherwise, and, therefore, the parallel examples quoted by my friends do not quite apply so far as this country is concerned. Will my friends, who are advocates of a Shareholders Bank, persuade my friends sitting on the Treasury Benches to help us in reproducing the same political conditions in India which exist in other countries? If so, I shall be prepared to subscribe to the scheme of a Shareholders Bank in this country.

Sir, one plea which has been advanced in support of a Shareholders Bank is that it will be free from political influence. There is common ground of agreement between this side of the House and the other side that the Bank, in its day to day administration, should be free from political influence of all sorts. I freely and frankly admit this proposition, but I should like to ask whether the sort of Bank which is adumbrated in the scheme before the House at the present moment can really be free from all sorts of political influences. I quite admit that it is free from political influence so far as it can be exercised from this part of the House, I mean the political influence of Indians; but I should like to know whether it is free from the political influence of the Government, as represented by the Governor General in Council who, in his turn, is dictated to in matters financial, political, and in many other important respects by the Secretary of State and the British Cabinet; and they are responsible, Sir, not to this Legislature, but to the Parliament, which is an essentially political institution. Sir, in matters financial, as we all know from our past experience, the City of London also plays a very important part through the British Cabinet and the Secretary of State. Casting aside all quibblings, I should really like to ask my Honourable friend, the Finance Member, whether he honestly believes that the plan of a Shareholders Bank, as adumbrated in this Bill, is altogether free from all political influence? Is it not possible to find out and discover any other better arrangement on which the Reserve Bank might be planned, and which will be free from all sorts of political influence? The High Courts, for instance, in this country have been established by the executive Government, but, in their day to day administration, they are free from political influence. Therefore, on the same lines, it should not be difficult for us to sit down without any prejudices or predilections either in favour of one scheme or the other and devise a plan which, while keeping the day to day administration of the Bank free from political

influence, will go a great way in satisfying the demands of the public for a State Bank. Sir, in a properly-planned Central Bank, the profits derived from the resources and support of the State should go to the taxpayer. But this Bank will be run by the shareholders and the shareholders mostly will be concerned with their dividends. The well-being of the masses at large, the agricultural interests, the economic interests and the rural interests of the country will not receive as adequate an amount of support in the scheme of a Shareholders Bank as they are likely to receive in a State Bank. It has already been pointed out that the shareholders have very little practical influence and control over the administration of the Bank. The reins are likely to be concentrated more and more into the hands of the Directors who, when they are first nominated by the Governor General, will naturally try to entrench their position so as to be perpetually in their places. Then, again, Sir, Indian recruitment in a State Bank is likely to be more rapid than in a Shareholders Bank. These are some of the considerations which ought to be given proper weight.

Sir, my friend, Mr. Anklesaria, referred to the suspicion which we on this side of the House entertain towards some of the proposals emanating from the Government. When this question was debated in the Simla Session, I clearly expressed myself in favour of a State Bank, and that is the position which I maintained in the Joint Select Committee here. Sir, it was rather tactless on the part of my friend, Mr. Anklesaria, to refer to the suspicions on this side of the House, while, as a signatory to the London Committee's Report, he must be aware that he and others were responsible for the recommendation that the Governor General in Council in the Federal Government will mean only the Governor General at his discretion, which, in plain language, means Governor General dictated to by the Secretary of State in the interests of foreign capitalists.

**The Honourable Sir George Schuster (Finance Member):** My friend is quite incorrect on that particular point. If he would read the London Committee's Report, he would find that it was only in one case that that recommendation was definitely made.

**Mr. Gaya Prasad Singh:** Even in that case the position, which I take up, stands unchallenged, because, does it not breed suspicion of the future Minister in the Federal scheme of Government? I pause for a reply. Sir, may I know, why in one place alone the Governor General means Governor General at his discretion? The words "Governor General", as they have been counted by my friend, Mr. Vidya Sagar Pandya, and checked by our eminent mathematician, Dr. Ziauddin Ahmad, occur 92 times or more in this Bill. Does my Honourable friend, the Finance Member, mean to say that in other places, the remaining 91 places, "Governor General in Council" means "Governor General as advised by his Finance Minister"? That was just the amendment that we discussed the other day. If my Honourable friend is prepared to accept that, I for my part will have no objection in accepting my Honourable friend's contention in that respect. Is he prepared to say that it is only in one respect that "Governor General in Council" means "Governor General at his discretion", and that, in other places, where the words "Governor General in Council" occur in the Bill, the phrase means

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"Governor General as advised by his Indian Finance Minister of the Federal Government"?

**The Honourable Sir George Schuster:** I was taking up my Honourable friend's point about the London Committee's recommendation. He was trying to create a prejudice against the Honourable Member, Mr. Anklesaria, by, I must state, a very misleading account of what the London Committee had recommended. I invite my Honourable friend to read paragraph 32 of the London Committee's Report and then reconsider what he has said. It is too long for me to read it now.

**Mr. Gaya Prasad Singh:** However, I have asked a plain question of the Finance Member. He says that in only one place "Governor General in Council" means "Governor General at his discretion". May I take it that, in other places in the Bill, "Governor General in Council" means "Governor General as advised by His Finance Minister", and did the London Committee take it in that sense and in that light—that in only one place it means "Governor General at his discretion", and, at other places, it means "Governor General as advised by his Finance Minister"? However, I leave it at that.

I have briefly attempted to show that the merits of a State Bank are superior to those of a Shareholders Bank. I know that those of our colleagues, who have had the benefit of a trip to London, have their views transformed in particular directions in some matters, and we have had the pleasure of hearing their views in this House. But the point of view, which I am representing, and it has been represented very ably and eloquently by my other Honourable friends on this side of the House, is the point of view which is echoed in the country outside. I would stress that it is very desirable to start the Bank under the most favourable auspices. There should be no distrust or suspicion in our minds. There should be no ascribing of motives. Therefore, unless the Government are dictated to in this matter by the Secretary of State, and if the Secretary of State has taken up a position from which he cannot resile, I would earnestly invite my Honourable friend, the Finance Member, to revise the position which he has taken up in this Bill with regard to this question and then arrive at a common formula by which the Bank, when it will be constituted, will be free from political influence which we all desire, but, at the same time, which will go to satisfy the claims and the demands of those people who want it to be a State Bank. With these few words, I support the amendment.

**Mr. C. S. Ranga Iyer** (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): Sir, to me it is a very delicate and not altogether a pleasing position to stand up after the speech of the Secretary of my Party. Mr. Gaya Prasad contributed his wisdom day after day and with his characteristic vigour and impartiality to the Committee in which he served. I admit he has spoken earnestly, honestly, and has not tried to be a mere echo of the opinion outside, to borrow a phrase he used. I think he is more an echo of his own voice within, that little inner man, and when I speak, I am trying to echo what I honestly feel is the right position in regard to this matter.

At the very outset, I must dispute the contention of my Honourable friend, Mr. Gaya Prasad, that opinion in the country is on his side. I

dispute that fact altogether, even though, if it were so, it would have made no difference whatever to me, for I would have gone to the country to educate it and change its opinion if it happens to hold a wrong view. Fortunately, however, the opinion of the country, the echo of public opinion, as he said, is quite different from the echo that we have heard from this side of the House in its opposition to a Shareholders Bank. The *Hindu* of Madras . . . .

**Mr. Gaya Prasad Singh:** Was not the editor of this paper a signatory to the London Committee's Report?

**Mr. O. S. Ranga Iyer:** The *Hindu* of Madras is much bigger than Mr. A. Rangaswami Iyengar. The Editor of the *Hindu* was not a signatory to the Report in his editorial capacity. (A Voice: "Two capacities?") Sir, my Honourable friend was whispering, two capacities, dual capacities? But he ought to know that he himself once filled dual capacities in his own life, an eminent position as the Vice-Chancellor of the Aligarh University and also as a Member of the Muslim League. Sir, there can be two capacities. The *Hindu*, as I said, is a great newspaper, probably the greatest newspaper, Indian-edited, in India today with a very large circulation, and the *Hindu* will be interested in echoing public opinion, at any rate, to the same extent as my friend, Mr. Gaya Prasad, for it will not like to lose its subscribers. The *Hindu* of Madras says in a recent editorial—I sent for that paper from the Library as my friend, Mr. Gaya Prasad, was referring to what he called "sectional interests" giving a quotation from a book. I shall present him with quotations from more books than one if necessary. He said sectional interests have no place in a national bank,—that is a quotation and I think it is a correct quotation. All of us, who support a Shareholders Bank, support it, because we want to avoid the play of sectional interests as the Bank may not altogether be national if it were a State Bank. That is what happened, and, in this matter, Mr. Gaya Prasad and Mr. A. Rangaswami Iyengar are two good authorities, because they had the experience which I did not have, at any rate to the same extent, of the stages through which the last Reserve Bank Bill went when it had to be abandoned. I was at that time in Europe, and when I arrived, I found how things had gone wrong. It was too late to save the situation, and it seems that in negotiating the breakers and rocks ahead they found it difficult—the Honourable gentlemen sitting on these Benches and Honourable gentlemen sitting on those Benches found it very difficult indeed to avoid sectional interests, and this is what the *Hindu* and its editor have to say on that point.

The *Hindu* says :

"As the basis of discussion before the London Committee and the basis of the present Bill before the Assembly were definitely that the Bank should be free from any political influence, the elimination of Directors to be elected by Legislatures and by Chambers of Commerce, Indian and European, became inevitable. There were also misgivings in the minds of some Indian members that having regard to the possibilities of development of communal and class claims in the future Federal Constitution in India and the difficulty of providing for a Directorate from which political, communal or class considerations might be eliminated, the picture of a State Bank plan originally contemplated might undergo essential modifications, by no means desirable under a Constitution in which communal and class interests and guarantees of various kinds were going to be incorporated. It was as a compromise between the two positions and in order to have the Reserve Bank established soon, that the stockholders scheme was put forward by the Leader of the Swaraj Party, Mr. S. Srinivasa Iyengar, during the discussions in 1927 (at that time the late Pandit Motilal

[**Mr. O. S. Ranga Iyer:**]

Nehru the Leader, was also away in Europe before the Legislative Assembly a scheme which had been virtually accepted by Sir Basil Blackett, but which the India Office subsequently turned down".

and so on. Sir, I shall not go on with the quotation from the *Hindu*. I merely wanted to bring out this fact that they were faced with the difficulty to which Mr. Gaya Prasad Singh referred in his opposition to this measure,—the difficulty of a State Bank satisfying sectional interests so that it might be a truly national Bank. They realised the difficulty of fixing communal and class and other proportions, and, therefore, they preferred a Shareholders Bank in which the shareholders to whatever community they may belong, will have ample opportunity to have their influence felt.

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadian Rural): You said that the article was definitely in favour of a Shareholders Bank. There is nothing about it in what you have quoted.

**Mr. O. S. Ranga Iyer:** The Editor of the *Hindu* was definitely for a Shareholders Bank. I thought my friend knows the position of Mr. Rangaswami Iyengar from the quotation which the Honourable the Finance Member gave on a former occasion, but I would certainly be willing to inform my friend further as to what the *Hindu* wrote on this particular matter. It goes on to say:

"The stockholders plan proposed in 1927 was no doubt a workable compromise. That could well have been accepted, and we consider that the present shareholders scheme of the London Committee, with the improvement effected by the Select Committee, are as near an approach as possible to the stockholders plan and could not be damned because it does not in terms constitute a State Bank."

I hope that is sufficient for my friend's purpose. May I go on? He shakes his head. I hope by the time he comes to vote, he will agree with the views of the *Hindu*.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Pass on the paper to him. That is simpler.

**Mr. O. S. Ranga Iyer:** Yes, I will do so with this observation of the *Hindu* that:

"The shareholders of the Reserve Bank are thus in a very different position from the shareholders of an ordinary private profit-making concern, and much of the confusion in the discussion has arisen owing to a non-realisation of the essential fact."

Here is a strong and reasoned support in the very able way of the *Hindu* for a Shareholders Bank.

**Mr. Gaya Prasad Singh:** Was not Mr. Rangaswami Iyengar in favour of a State Bank in 1927-28?

**Mr. O. S. Ranga Iyer:** Yes. If my Honourable friend was listening to the quotation carefully, he explained why he held that view then and why he has changed his view now. Probably my friend is trying to suggest in his own innocent way that Mr. Rangaswami Iyengar is not consistent. I refuse to recall the old story of the young lady who said she was consistent. I know that all of you know that the lady was 17. When asked her age, she said "sweet 17". After 14 years, she still said "sweet 17", and when she was older still, she was asked her age and she still persisted

"sweet 17". Mr. Rangaswami Iyengar, I admit, is not so consistent as the lady. (Interruption by Mr. B. Das.) Mr. B. Das is flippant as usual. I should leave his interruption alone. In politics one should not be a stickler for consistency. We are being dragged through the track of centuries. We have to move with the times. We cannot be like a puddle on a public road after the rains. We cannot be a stick-in-the-mud. Consistency, as Emerson well put it, is the hobgoblin of little minds. As has been truly said by a British statesman, consistency is the virtue of an ass. It was, I believe, Justin McCarthy or Randolph Churchill who said that consistency in politics is the virtue of an ass.

**Mr. Gaya Prasad Singh:** Government's policy is very consistent?

**Mr. C. S. Ranga Iyer:** Government have also been trying to move with the times, not so fast as some of us would like. My friend whispers "do not insult the ass", I suppose because it does not injure itself by kicking against the pricks. An ass carries sandalwood on its back without knowing the value thereof.

Mr. Vidya Sagar Pandya, speaking from his great knowledge of the working of public companies, said that this shareholders scheme differed from the companies which he had known. Quite so, and that is why I tell the advocates of the State Bank that they should accept *this* shareholders' scheme, not the shareholders' scheme that he knew. There was not in the companies he had in mind that State control, at least the extent of State control that you find here. In the Shareholders companies that he knew, there was not that State contact which you find here, because a Reserve Bank in all the countries of the world, whether before or after the War is not absolutely left to the will and pleasure of the shareholders. On a Reserve Bank hangs the destiny of a people and its Government. It is a bankers' bank. It is not run for the profit of the shareholders and that is its strength. It is run for something higher than that, to serve the purposes of the State and the people. I cannot understand the quarrel of my Honourable friends on this side when they condemn on the one side the control or contact with the State of a Reserve Bank and, on the other hand, they want a State Bank. Surely you cannot have a State Bank except in the light of the White Paper scheme and the White Paper scheme does not make India a sovereign State and I cannot understand really how Honourable gentlemen on the Opposition Benches can advocate with the enthusiasm with which they have been advocating the cause of a State Bank. What is the State that we are going to get? You condemn very vehemently the White Paper scheme. You are not going to be satisfied with the State that is going to emerge from the White Paper scheme. They have said so on many an occasion, and yet the Honourable gentlemen very seriously say: "we want a State Bank. This arises from a study of State Banks in self-governing countries". If India were a self-governing country today, even then I would oppose very strongly a State Bank unless and until India rose to the level or fell to the depths of Russian communism or socialism and tried to convert each and every bank in this country into a State Bank. On this matter the other day the very well-informed Leader of the Democratic Party said that his authority, Mr. Cole, had said it nowhere. Well, Sir, I shall quote from Mr. Cole's "The Intelligent Man's Guide through World Chaos".

**Mr. B. Das:** When was that book published?

**Mr. C. S. Ranga Iyer:** Well, as late as the book from which the Honourable the Leader of the Democratic Party quoted,—1982, Second Impression; and he says, on page 308:—

"Any system of organized economic planning, therefore, seems to involve the co-ordinated control of ordinary banking as well as of the Central Bank, and it is significant that in Great Britain the idea that the joint-stock banks as well as the Bank of England ought to come under national control has made headway side by side with the development of the notion of national economic planning. The two things indeed obviously go together, for a national economic plan, unaccompanied by control over the distribution of the available supply of credit, might easily be brought to ship-wreck by a divergence of ideas and policy between those responsible for the plan and the joint-stock banks."

He (Mr. Cole) goes on to say:

"A managed credit policy even more than a managed currency is the foundation on which a rational banking system must rest. But such a policy is unattainable without the close co-ordination of the separate banks under a unified control and co-ordination among these banks would obviously create far too powerful a monopoly to be left in private hands."

Sir, I need not quote that authority further, but as the Honourable the Leader of the Democratic Party did not quite realize that what I was saying was right, I thought it was just as well to place it on record that the advocacy of a State Bank has no value in it unless and until the banks are prepared to come to the logical conclusion, namely, the socialisation of all banks . . . .

**Mr. K. G. Neogy:** Has that conclusion been accepted in all the countries where they have State Banks? Is that an inevitable conclusion?

**Mr. C. S. Ranga Iyer:** It is not, except in regard to the authority on which the Honourable gentleman relied.

**Mr. K. G. Neogy:** I did not rely for my opinion on that; I relied on it for the purpose of pointing out that it was not quite correct to say that opinion was all on one side,—that there was no opinion on the other side advocating a State Bank in any other part of the world.

**Mr. C. S. Ranga Iyer:** If my Honourable friend, after all the ransacking that he did, could only get for his authority a socialist, I would at least say: "be generous to him, do not misrepresent him". If he wanted to quote the authority of people who justified State Banks, probably if his research work had taken a little different direction, he might have found that authority. But I must frankly admit that, so far as the socialists of Great Britain are concerned, who want a change in the present banking system in England and who said so during the last election, they want really to socialise the banking institutions in England.

Sir, coming now to my Honourable friend, Mr. Jadhav, he said that a Shareholders Bank was dangerous as that would lead to provincial jealousies. Now, I can elaborate that argument a little further and say that the policy of provincial autonomy is panicky, that plan is risky, because it will lead to provincial jealousies. On the contrary, I should have thought that if he wanted to placate provincial jealousies, he would have conducted some study of the banking system of the United States of America and gone to its early days and said that each State must have a State Bank. The Honourable gentlemen, who were dwelling on the American system

and the American democracy's latest achievement probably in 1913, forgot that America had to go through various stages of banking. In the first place, each small State had a State Bank of its own. If you say: "We want each province to have a State Bank of its own", I can understand if you contend that you are attempting to placate provincial jealousies. Our anxiety, on the contrary, is to avoid provincial jealousies—not to begin as America began, but to profit by American experience: and, again, my friends on the other side who relied a great deal on the American system and the Federal Reserve system forgot that America had to pass through the stage of banks going into liquidation though they came into existence with popular support, because the Parliament of America would not sanction its continuance. The First Bank of the United States met with the same fate, the second known as "The Second Bank of the United States" also met with the same fate, the National Bank of America also met with the same fate, but that paved the way for the present system. Sir, I need not proceed further with these observations regarding the development of the banking system in America, but I would ask Honourable Members to bear in mind this particular point and not try to transplant the trans-Atlantic oak from beyond to this country which must grow in its own way and according to its own genius.

**Mr. Jagan Nath Aggarwal** (Jullundur Division: Non-Muhammadan): Sir, speaking at this late hour of the day, I can only say as a layman that during these eight or ten days debate on this question we are left in a bewildering maze of confusion. It certainly adds to our confusion when we find an Honourable Member from the Nationalist Party, our friend, Mr. Gaya Prasad Singh, getting up and telling us that the public outside is all for a State Bank and, straightaway after him, his Deputy Leader, Mr. Ranga Iyer, telling us with a quotation from the *Hindu* and with all the varied arguments at his command and with extracts from various sources that the public outside is all for a Shareholders Bank . . . .

**Mr. O. S. Ranga Iyer:** All that I said was that opinion in the country was divided, and it is open to me to say that on my side was the larger opinion just as it is open to my Honourable friend to say what he likes and to quote only from those authorities he likes.

**Mr. K. C. Neogy:** Which other newspaper has supported the scheme of a Shareholders Bank?

**Mr. O. S. Ranga Iyer:** I do not keep a register of Indian newspapers and I do not want to take up at this late hour that point, but if my Honourable friend comes to me in the Lobby or to my house, I can show him a number of newspapers which have published valuable articles . . . .

**Mr. K. C. Neogy:** British-edited?

**Mr. O. S. Ranga Iyer:** No.

**Mr. K. C. Neogy:** I challenge my Honourable friend to give us the names.

**Mr. G. S. Ranga Iyer:** Almost every newspaper in India has been decent enough not to shut out articles on a Shareholders Bank, and that shows that the papers were not so very anxious for a State Bank.

(Interruption by Mr. K. C. Neogy.)

**Mr. President (The Honourable Sir Shanmukham Chetty):** Order, order. Mr. Aggarwal.

**Mr. Jagan Nath Aggarwal:** I am sorry that the controversy has not so far finished, and it certainly leaves a layman in a maze of confusion. Well, Sir, if I try to summarise what I can say as the outstanding points in this controversy, it is not an easy matter. My Honourable friend, Bhai Parma Nand, said that it was all sheer cussedness on our part to oppose a Shareholders Bank, for, if the Government had proposed a State Bank, we would have wanted a Shareholders Bank and *vice versa*. That was not so. Similarly the attempt of my Honourable friend, Mr. Anklesaria, to show that it was all a spirit of suspicion which led people away from the scheme of a Shareholders Bank was not justified. In fact, if one were

4 P.M. to look at the matter closely, one would come to the view that the tendency of the Indian Government had been towards a State Bank.

On the previous occasion, when the Bill came before the Assembly, although we started with a Shareholders Bank in the original Bill, the Select Committee made it a State Bank and what is more, Sir Basil Blackett, on behalf of the Government, accepted the amendment to clause 4. So, it became a State Bank. It broke down on the question of the Directorate, the representation of the Legislature, but the Government accepted the principle of a State Bank. Then, Sir, coming to the Central Banking Inquiry Committee, I do not think one can attach much importance to that, because the Chairman refused permission for any questions on the constitution of the Reserve Bank, but the assumption, if I may say so, in the paragraphs referred to was that we should have a State Bank. Then comes the most difficult stage in these matters, namely, the London Committee. We are told that this question of a State Bank *versus* a Shareholders Bank did not excite even the slight interest. That leaves us in a very great confusion indeed. My Honourable friend, Mr. Anklesaria, and others must have known that the Indian Government had accepted the principle of a State Bank and that opinion, to put it at its lowest, was fairly divided in this country. In that charming Palace in London, we are almost amazed to know from those who were there, no one mentioned a word that it should be a State Bank till Rai Bahadur Lala Ram Saran Das, my fellow townsman, opened his mouth and said that he dissented from the conclusion of having a Shareholders Bank. I say, all credit is due to him and it is well that he said so. Most of the credit goes to him for emphasising an issue on which opinion in India was so sharnly divided and, if I may say so, with all respect to Mr. Ranga Iyer, that opinion is very largely in favour of a State Bank. (Interruption.) I refuse to accept any correction from Mr. Ranga Iyer. The opinion of the country is definitely in favour of a State Bank for reasons which I will try to give you, Sir, even at this late hour of the day. The reason is that the State Bank is an institution which controls credit at home and stabilises currency abroad. No one can question the statement that a Shareholders Bank is an institution which is for the benefit of the shareholders, and who are out to make money, otherwise there is no point in having a Shareholders Bank. If it is going to be a concern which is to control credit at home

and to stabilise currency abroad, then it affects every department of national activity. If it affects trade, commerce, industry and agriculture, most of all. That being the case, it becomes a public utility concern and who would like such a concern to be handed over to the shareholders? Therefore, it must be a State institution. It is conceded that the State has a good deal of interest in it and it can exercise a good deal of influence too. What kind of political influence is to be used, I shall mention presently. But let me repeat that a scheme of this kind is a public utility concern and the shareholder's interest in it is not predominant, because the State itself has a good deal of influence in it. That goes to show that it is of a kind of public institution or at least a semi-public institution.

Now, Sir, let us look at the conditions prevailing in India. It is no use going to England or to other places in the whole world, where conditions are quite different. We are unlike the rest of the world. Now, what has been the tendency of the Indian Government in the case of a public utility concern, which concerns every department of the State and every industry of the country. The Indian Government has acted as a half-socialist Government for a long time past. Railways, forest, mines and all kinds of other activities are controlled by it. It has been the biggest employer of labour, and why is it so much afraid of this Bank? Up till now it has been a State concern. Do my Honourable friends maintain that the Government have bungled so badly in the past with currency and exchange that they are not prepared to trust it any further? No doubt they have made mistakes. I think it was on the advice of men like my friend, Mr. Mody, who have always landed them in bad scrapes. I do not forget the mistakes made by the Indian Government in the case of reverse councils and other financial deals, but you must allow the Government like every one else to make some mistakes. I say, if the Indian Government has managed currency so well, and nobody has said anything against it, why should we not expect the future Government to manage its currency and note issues equally well? Why is there this element of suspicion about it? Since the opinion of Mr. Kisch has been cited on this question, may I also refer to his opinion on this very subject in the Hilton-Young report when he gave evidence. The matter was put to him as to what he thought with regard to India, and this is what he said. After referring to the Brussels and Genoa Conferences, he said:

"But in dealing with India we have to realise that we are dealing with a country where banking progress is comparatively recent and where the people have been habituated for very long periods to look to the Government with a degree of confidence which is probably not vouchsafed to Governments anywhere else."

It is a compliment for the Government to be told that they have been so much trusted on their work in the past that we want them to continue. The argument in some cases has been really more or less in the nature of a vote of censure, but Mr. Kisch says:

"The people have been habituated for very long periods to look to the Government with a degree of confidence which is probably not vouchsafed to Governments anywhere else."

From that point of view, I think, there is a great deal of difference between India and other countries. If the Indian Government has done so well in the past, the onus of proof is on its critics to displace the existing condition of things. Why is it that in the future you do not want to trust the Government to do it? Is that element of suspicion due to the fact

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that new changes are going to take place in the Constitution? I expected Mr. Anklesaria to tell us how it was that he remained tongue-tied in the London Committee and did not say a word with regard to the past history of this question. Sir, the money that is earned by the State from the State-managed railways is made available to the general tax-payers and there is no reason why the interest on five crores of rupees which will come to a considerable sum at the rate of five or six per cent. should not be so made available to the general tax-payers?

**An Honourable Member:** Where will the money come from to pay the shareholders?

**Mr. Muhammad Yamin Khan:** The capital.

**Mr. Jagan Nath Aggarwal:** My friend, who is living in this town of New Delhi, ought to know that we have spent 14 crores on it and the sum of five crores is a mere flea bite to the Government. Well, Sir, I refuse to be interrupted in this way. My friend knows that if he were to ask for passages to London we would be prepared to find 100 passages again. We can well afford that. I just wish to condense the discussion in as short a compass as possible. I say, the attempt is to get this out of political influence. Grant that. What does that mean? Apply it to the conditions of those countries in which the Government last a month or two, such as France. If political influence means the influence of party politics in the sense that a party comes into power and disappears in two months time and, during that time, it obtains a huge credit by note issue, by all means keep the Bank out of such influence. But if you are going to have freedom from political influence in the sense that the Government of the day is to have no say in the matter, then I submit, this Bill itself is the best answer to it. You find in the Bill the words "Governor General in Council" occurring in so many places that you cannot pretend that the Bill has nothing to do with such influence. As my Honourable friend, Mr. Gaya Prasad Singh, put it, we have independence for the Bank in the sense that the judges are independent of the executive. Nobody suggests that the judges should not be appointed by the executive, or that the general policy of administration, etc., should not be under the control of the executive, but the judges decide cases in their own way and the executive does not determine that for them. Similarly, how the Bank advances money and questions of credit are not determined by the executive. In a matter of this kind, the real thing is, does the shareholder, who is being brought in in place of the State, furnish a real guarantee that the administration of the Bank will be carried on on sound business lines, and so forth? So far as this is concerned, my Honourable friend, Mr. Pandya, has given us the answer that these shareholders are a sleeping body. If that is so, the shareholders should be out. I hope, from another point of view, there is a danger that one might visualise, if this shareholder is not the sleeping body which Mr. Pandya found him to be, if he is a wakeful body, and if we are to have a very large number of shareholders spread all over the country, what would happen is that all kinds of funny and new-fangled ideas, communist ideas may be reproduced in the Directorate. If that is so, and we are going to have such ideas introduced in the Bank, then I would much rather trust the Finance Department of the Government of India where they shut out all kinds of new ideas (Laughter) than

to have a body of shareholders. My Honourable friend found them sleepy, but, I am afraid, in the near future, they would be very much awake, and I, for one, would not like to be a shareholder. But that does not save me, because, after this Bank is started, even if I do not put my money in the Bank, yet it will bring all sort of difficulties in my way, it may halve the value of my silver and gold and all my savings may disappear into thin air. Therefore, I say this, that the shareholder is neither a smoke-screen nor a partner in a funny kind of marriage which my Honourable friend, Mr. Pandya, proposed, but he may be a real danger and what is the fun of having such shareholders all over the country running into millions. This shareholder scheme is one of the old stunts which, I may say, does not mean really anything. In fact if one were to look to the history of these institutions in the world, absolute shareholder institutions, which have nothing to do with the Government, are only two,—the Bank of England and the Reichsbank of Germany. Both of them have a history behind them which I will give in a few words. On page 18 of "Central Banks" by Sir Cecil Kisch and Mr. Elkin it is said:

"The English Bank Act was passed at a time when individualism was the guiding doctrine in political and economic theory, and to have given the State a part in the direction of the Bank would have been in conflict with the teaching of the day. Nevertheless, there can be little doubt that in practice there is at all times close and continuous co-operation between the Bank and the Government when important issues are involved, and in exceptional periods of stress there is even more than this."

Now, I put it to you, Sir what is the point in referring to England? From a constitutional point of view, in reality the Government of the day has much more influence than that. As regards the Reichsbank, the same authors say:

"The Reichsbank is a bank independent of Government control, so much was this independence stressed by the organisers of the Bank. But the re-organisation of the Reichsbank was part and parcel of a scheme for the payment of reparations and of the financial rehabilitation of Germany devised by foreign experts at a time when the financial policy of the German Government was politically suspect and had proved to be economically unsound."

If these are the two places where you find a Shareholders Bank . . . .

**Mr. C. S. Ranga Iyer:** Will the Honourable Member read the second paragraph, first sentence, on page 20, of the same book?

**Mr. Jagan Nath Aggarwal:** I am not going by the opinion of this book. With regard to this measure, I can give the Honourable Member more quotations if I had the necessary time. I am referring to this for the sole purpose of showing that, in these two countries, where you have a Shareholders Bank, really it is so on paper, but in reality it is something different. If that is so, I say, why not make the reality go on paper? If the Bill is to be for a Shareholders Bank on paper, but in reality the State is to have a good deal of influence and a good deal of say, not only in times of crisis, but also on other occasions, where is the point in not giving the true picture? So far as this is concerned, you may also note that in the evidence, before the Hilton-Young Commission, Sir Cecil Kisch and Mr. Keynes were both witnesses and they both deposed at fairly great length that, so far as the direction by Government was concerned, they would not support the proposal of Government having a suspensory veto. If that is not given, you concede the proposition that

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the Government of the day is to have great power. If that is so, one need not wonder if you are to give the Government of the day full power to work the Bank and that it is just as well to give it its true position in the Constitution. My Honourable friend, Mr. Ranga Iyer, told us that the constitution of a Reserve Bank could only be really a State Bank if it was exactly on the model of Soviet Russia. My Honourable friend, Mr. Mudaliar, also said that a real State Bank was only to be found in Soviet Russia and that argument was used for the purpose of frightening us. Does anybody, who suggests a State Bank, want to copy the institutions which they have only in Soviet Russia? If you permit me to mention, Sir, I have in this book "The Reserve Bank for India and the Money Market" by Dadachanji at page 156 a chart showing State Banks and joint stock banks in the world and I find among private shareholding banks there are a number of important countries, but in the other list of mixed shareholding banks, there are equally a large number. It cannot be said that pure shareholding holds the field anywhere in the world. The other extreme pointed out by the last speaker was that if you come to the type of State Bank as visualised in Russia, you must insist on socialisation of all banks. I really do not see how that follows. The real point, if I may say so, is that in Russia the credit machinery like everything else of general utility is State-owned. Whoever suggested that, if you have a State Bank in this country, it would lead to socialisation of all banks in the land?

**Mr. O. S. Ranga Iyer:** The Honourable Member, I am afraid, is so hopelessly misrepresenting me that I have got to interfere. I said, even if you want to face the question of a State Bank fair in the face, have the courage to say as Mr. Neogy's authority has said that all banks should be socialised.

**Mr. Jagan Nath Aggarwal:** I do not know whether the whole object of the quotation from that book of Mr. Coles was that the State Bank only comes in as the apex of the system in which every other bank is socialised. I do not see how that arises at all. Any way, here you have the Imperial Bank, a half socialised institution with 165 branches, and this Reserve Bank may very well be a fitting culmination of that banking edifice. So far as the evils of State Banks are concerned, that is the last topic to which I would address myself. After the elaborate enquiry into the evils of State institutions in the domain of banking, one can only turn to two occasions in which the reserves of banks have been misused by the State. One is the case of Spain in about 1896 or so, and that, I submit, is hardly a first rate example at all. The other was the case of France after the War. And I say, Sir, if one finds only two cases of mismanagement of these State institutions, one after the War and the other one of Spain,—hardly a first-class example,—I will say that the States have behaved much better than my friends would give them credit for; and these banks have also dealt in these exceptional circumstances in a manner which is commendable. I would say, therefore, without taking much time of the House at this late hour, that the scheme of my friend, Mr. Mitra, should command the acceptance of every one in the House, particularly as it is a very modest measure that has been put forward that the shareholder is not imported into the show at all.

The question of Directorate, etc., should be dealt with as and when they arise, but for the present we should all support the scheme of a State Bank.

**Several Honourable Members:** The question may now be put.

**Mr. President (The Honourable Sir Shanmukham Chetty):** The question is that the question may now be put.

The motion was adopted.

**The Honourable Sir George Schuster:** Sir, my Honourable friend, Diwar Bahadur Ramaswami Mudaliar, in an eloquent passage in one of his recent eloquent speeches, paraphrased the words of that well-known hymn "When the wicked cease from troubling and the weary are at rest" by asking us to look forward to the day "when the Modys cease from troubling and the Schusters are at rest". Thus, I may incidentally remark replacing by our names the appropriate epithets in each case. (Laughter.) I do not know whether that day is yet here; but certainly in the present debate my Honourable friend, Mr. Mody, has refrained from troubling while I myself have had certain periods of rest—rest at least when Honourable Members opposite were making speeches in advocacy of my own case; and, let us at least hope that the day when this particular troublesome issue will be settled has now come. You, Sir, asked all speakers not to go over all the old arguments, and I will try to obey your instructions. Therefore, on a good deal that has been said I would ask Honourable Members who have spoken to read some of my own speeches in past debates on this particular question. But there are certain points which must be touched on, and I must attempt in some way to sum up this discussion. I want to start by saying that I myself am most anxious not to overstate this case.

The issue between a State Bank and a Shareholders Bank is an arguable issue. It is an old controversy. Honest men can hold opinions on both sides and honest men also, I would remind my Honourable friend, Mr. Gaya Prasad Singh, may change their opinions on this subject. Sir, it is desirable not to overstate this case, because, as my Honourable friend, Mr. Aggarwal, has just pointed out, there are no real examples of Central Banks which are so essentially Shareholders Banks that they can work in complete detachment from the Government of the day. There must always be the closest co-operation between the Central Bank and the Government of the day. But that co-operation should arise when the two are facing a common danger. There are, on the other hand, many occasions when the two should represent two different parties, one representing its own interest, the other the interest of sound finance calling upon the Government to put its house in order. Therefore, Sir, I submit that because on occasions or on most occasions a Central Bank and Government must co-operate, it would be very unwise to ignore those other occasions when the Central Bank is required to put up an independent front to the Government of the day. That idea has always been present in the minds of all those who thought on this subject and who have made plans on this subject. That those plans have not easily been settled is evident from the history of central banking. Honourable Members have done a good deal of study of the history of central banking recently, and I daresay this House could pass an examination paper in central banks which would have surprised its Members if they had been

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asked to answer the questions six months ago. Now, looking at the history in the past, we find, for example, that in Switzerland this controversy went on for 25 years, and for 25 years Switzerland denied itself the advantages of a Central Bank, because it could not make up its mind whether it should have a State Bank or a Shareholders Bank. But that was in a fairly distant past and they took their decision, I believe, in 1905. Since then I do think that it is fair to put the position as being one which indicates that there has been a very marked swing-over of opinion in all countries in favour of emphasising the shareholder idea as against emphasising the State control idea. I want to be very careful how I choose my words. This is a question of emphasising one idea rather than the other. It is not a question of saying that all connection between the Bank and the Government is wrong; it is a question of putting the proper emphasis and the proper balance between the two sides. Now, Sir, I do maintain that the history of the past 25 years, and particularly the years since the War, has shown a strikingly marked tendency in favour of emphasising the shareholder idea when you are setting up a Central Bank. And I do think that, taking account of that experience of many varied countries in the world, it is fair for us who support that idea to say to those who attack it, "The onus of proof is on you". And, Sir, I do maintain that Honourable Members who support the other idea have not discharged that onus. It seems to me that among the motives and lines of thought which influence Honourable Members opposite one may select three classes. There are first of all those who honestly object to the shareholder idea on its merits, and the representatives of that idea are those who signed the main minority report and who have given their main reasons for objecting to the shareholders idea and have come down in favour of a State Bank. Let me just take those reasons. The first of them is this:

"It is an admitted fact that the Government is compelled to assume almost entire responsibility in the administration of Central Banks at the time of financial crisis. The Central Bank functions smoothly only during normal times; for normal working, shareholders are as much unnecessary as the State. It is the Governor of the Bank that counts."

Now, Sir, I think it would be very difficult in a few short lines to find,—and I hope Honourable Members will not take it amiss when I say so,—a more misleading account of the situation. In the first place, it is not an admitted fact that the Government is compelled to assume almost the entire responsibility at the time of crisis. The Government has to step in and stand behind a Bank on these occasions undoubtedly; but it is quite wrong to say that the Government assume the entire responsibility; and unless the Government in times of crises has a strong Central Bank to turn to, then its powers to deal with those crises will be terribly weakened; and when I say that I mean particularly this: that if the State has too much influence on a Bank, the tendency—and that is the experience of all countries—is that the Bank will get too much loaded up with credit operations in favour of the State, and it is just at a time of crisis that obligations on the part of a State become completely unrealisable. It is just because you want a Bank, a strong Central Bank, to help you to deal with crises when they occur, that it is desirable to keep it independent during the times that intervene between those crises. Then they say: "A Central Bank functions smoothly only during normal times; for normal working, shareholders are as much unnecessary as the State. It is the Governor of the Bank that counts."

This division of times and conditions into normal times and times of crisis is a misleading one. For instance, what are we living in now? Are we living in normal times or are we living in times of crisis? The sort of crisis which my Honourable friends, who signed this memorandum, presumably had in mind was the sort of crisis that arose at the beginning of the Great War or the sort of crisis that occurred when England went off the gold standard in September, 1931. You could not on such an interpretation describe the present occasion as a time of crisis, and yet this present occasion is one of extreme difficulty when it is most essential that a Government's finances should be soundly and boldly handled, and if you have not got a Central Bank which can stand up against the Government, then in times like these you will find that a weak situation is created, which will make it impossible for you to deal with a crisis when a real crisis occurs. My Honourable friend, who has just spoken, has said that he can only find instances of two Central Banks that have really failed. I think his reading must have been more "selective"—let me say—than is quite worthy of my Honourable friend. Let him examine the history of the Central Bank in Russia before the War. It is a very interesting history, a history which might well be paralleled in a country like this in the early days of its new constitutional experiments. Then, again, my Honourable friend surely has not forgotten how currencies in all the central European countries went wrong, because the Government imposed its will upon the Central Bank and made the currency authority work for its own purposes and not in the interests of sound finance. History is full of instances of the failure of Central Banks to perform their operations properly. The next point is that "the State Bank will always command greater confidence within a country like India than a Shareholders Bank". If I may say so, that entirely begs the question. I quite agree that the Government in India has at present a prestige which no other body in India has got or could rival, but it does not follow from that that the sort of Central Bank which we now propose to set up, with the Government standing behind it—remember that, because Government is standing behind it and Government guarantees the bank notes, Government puts its currency reserves into the Reserve Bank, and so on—the country surely will have confidence in a Bank started in that way.

The next point is: "almost the entire profit made by the Reserve Bank will be derived from the resources and support of the State; and it is, therefore, desirable that the tax-payers should be benefited to the fullest possible extent from the profits so derived". That condition is being satisfied under our plan. The most that the shareholders can get for the five crores they put in is a dividend of six per cent: it may go up to six, it may be much less than that: I submit that a possible maximum dividend of six per cent. for putting up five crores is not a very heavy exaction out of the profits which normally accrue to Government from the handling of currency business.

Then, it is said: "it is an established fact that shareholders do not form a satisfactory electorate. No shareholder residing in the mufassil would take the trouble of spending money in travelling in order to exercise his right of vote. The use of proxies will be unavoidable; and election by proxies does not necessarily represent electorate." How can it be an established fact that the electorate, which is being provided by this Bill, will not vote? There is no parallel to it in any other company which has hitherto had existence in India. We are providing for the working of the shareholders as an electoral body in a way for which there is no parallel

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at present in India, and I see no reason at all to argue from the experience that my Honourable friend, Mr. Vidya Sagar Pandya, is so fond of quoting of banks like the Imperial Bank of India, that the same thing will occur as regards the election of Directors for this Reserve Bank. I hope myself—and I think it is legitimate to hope—that the exercise of votes for the election of Directors to the Reserve Bank will become a very important and cherished right; and I feel sure that it is unjust to the public of India to suggest that those who take up these shares will not take the trouble to see that they get the right sort of Directors. Moreover the argument goes much too far, because, after all, we have the experience of all these other countries who provide for the election of Directors in the same way that we are proposing to provide or on very much the same basis. How are the signatories of this Minority Report justified in putting down a statement like that, that it is an established fact that shareholders do not form a satisfactory electorate, when it is an established fact that every country which sets up a new Central Bank adopts this basis as being the best device which experience has provided for achieving the very difficult object which has to be achieved by a Central Bank?

The last point is that "in the case of a private Bank, there will be no machinery to demand and enforce larger recruitment of Indians in the officers and subordinate grades. It is only in the case of a State Bank that Indianisation as a policy can be effectively enforced as is evident from our experience of Railway Administration". I suggest that that point is an anachronism. It is too late to think of India's problems in terms like that. This Bank, as I have so often said, is intended to be an Indian national institution; it can never succeed unless it is an Indian national institution; and if Honourable Members think that the Directors who will be elected by the Indian electorate which we have provided are going to disregard the Indian national demand for appointing a proper proportion of Indian executive staff, then they take a much lower view of their countrymen than I do.

Those are the main points, and I maintain that they constitute an extremely weak case. I spoke of three classes of opinion. Among the second class I would put those—and I do not hesitate to say this, although it has been queried by Honourable Members opposite—I would put the class of those who satisfy the condition pointed out so acutely by my Honourable friend, Bhai Parma Nand. I do believe, Sir,—I mention no names,—but I do believe sincerely that among those who are opposing this measure, there are a good many who are influenced by the fact that Government have thought fit to propose a Shareholders' Bank. It is natural in the traditions in which Honourable Members have thought about these problems that they should oppose the Government proposal. I cast no aspersions on anybody for thinking about this controversy with that sort of predilection in his mind, but, Sir, it is an interesting speculation to try and imagine what the arguments of my friends would have been if we had come forward and proposed a State Bank.

My friend, Mr. Ranga Iyer, who has just spoken made an argument which I myself had intended to make. What is the special virtue of a State Bank in present conditions? Surely, if we had come forward with a State Bank, Honourable Members would have said: "the 'State' which you are going to provide for us is a State which we ourselves shall not control, and you have chosen this form of State Bank, just because you

want to retain full powers of your Governor General as the representative of the Secretary of State over it". Sir, I can picture to myself many extremely eloquent speeches that would have been made on those lines.

Then, thirdly, and lastly, there is a curious class who say—"we like the Shareholders Bank idea"—in fact my friend, Mr. Sant Singh, who has left us went so far as to say that he "loves" it—but he said that he would only accept it if the Governor General's powers were removed. If the Governor General's powers to have some voice in certain appointments to the Directorate were to remain, then he says: "give me a State Bank all the time". I wonder if my friend has thought out the argument I have just put. How is this converting the Bank into a State Bank going to get him out of that particular difficulty? But I would go further than that, and I would ask, what is the real basis for this objection to the Governor General's powers? A great deal has been made of the fact that the Governor General in Council is mentioned 92 times in the present Bill. But, as you, Sir, pointed out, on many occasions where the Governor General in Council is mentioned, the mention refers to obligations which have to be performed by the Government, as for example, resources to be handed over, and so on. When one comes to consider what the real powers are, those powers which are so much objected to, they are powers to nominate four Directors to the Board and the power to make the final selection of the Governor and the Deputy Governor after considering the recommendations of the Board. Now, Sir, surely the possession of those powers does not justify the charge that this opens the door to political influence from London. I would ask my friends to consider in what spirit the Governor General has to exercise these powers, and, in doing this, I would like to refer to something which my friend, Mr. Anklesaria, said. This point was discussed, as naturally it would be, in the London Committee. My friend was quite right in saying that a certain member of that Committee on the British side said that—"why, if you have these suspicions, should it not be made clear in the Governor General's Instrument of Instructions that his duty, in exercising his powers, is to take into account only the interests of India". My friend is quite right when he says that every one on the Committee agreed with that point of view. It has been asked, why it was not specifically mentioned in the Report; but the real reason, I think, is quite obvious, namely, that we all assumed that it went without saying. Nobody who was sitting round that table imagined that the Governor General would exercise his powers with regard to anything else except the interests of India. And, Sir, I would remind my friends that in the White Paper it is stated specifically in para. 31, that the object of the Governor General's special responsibility is "the safeguarding of the financial stability and credit of the Federation". Is he to exercise these powers in order to suit the interests of a particular group in London? Certainly not. He is to exercise those powers only for that stated purpose, the safeguarding of the financial stability and credit of the Federation. Now surely that, properly interpreted, is definitely in the interests of India. But let us consider the matter a little further. In the first speech which I myself made in introducing this Bill, I asked the House to try and look at it not in terms of prejudices of the past, but to cast their eyes forward to the conditions of the future, and I would ask Honourable Members to put it to themselves honestly,—can they not conceive conditions in the future when under a democratic Constitution, working under a system of parliamentary democracy, there may be a Government in power for a

[Sir George Schuster.]

short time in India which might be capable of appointing a very undesirable man as Governor of the Reserve Bank, a man committed to carrying out a particular policy which might be very much against the interests of the country, certainly against the interpretation of what the interests of the country are which would be held by a majority of Honourable Members who sit in this House today? Considering those possibilities, is it not possible that Honourable Members of the Indian Legislature of the future, the Indian public of the future, might be glad of the fact that an impartial authority unconnected with any political party should have the last say on the men who would be put into those key posts? I suggest that that is a reflection which deserves very serious consideration, and it is on that ground that in so many of the Statutes of Central Banks the power of making some of the key appointments is placed in the hands of the head of the Government, the head of the Government being the head of the Government above all political parties of the day. The Governor General is the nearest parallel that can be produced to that in India, and it is on that ground alone that these special powers are reserved for the Governor General in the future.

Now, Sir, in connection with that, there is one particular remark on which I should like to say something, a remark which was made by my friend, Mr. Jagan Nath Aggarwal, in his very effective advocate's speech. He made the point that we are now advocating this removal of the power of currency control from the Government which we ourselves have exercised the last 100 years, and he asked: "why this sudden change of mind?" Well, Sir, it is very easy to answer that question. The sudden change of mind is due to this. We are contemplating the setting up of a Constitution which will, whatever Honourable Members may say about it, be a Constitution based on the principles of parliamentary democracy. The executive will be responsible to the Legislature, and it is because an executive in that position is for one thing liable to constant change and for another thing liable to influence from political parties that it is considered necessary to put the control of currency into the hands of a permanent authority which will be independent of the political changes of the day. That, Sir, honestly is the reason why this proposal has been made, and why it has been said in the White Paper that it is assumed that this transfer of the control of currency will have been made before the Constitution is set up. There is no mistrust there implied of Indians. If there is any mistrust of anything, it is a mistrust of the way in which a system of parliamentary democracy will work. It is the control of democracy in India and not of Indians with which we are concerned in the motives for making this change. Surely that must be obvious to my Honourable friend if he really thinks about it. Moreover, quite apart from this, as I said in my opening speech also, we do not seek to defend the system which has prevailed hitherto. We recognise that it is in principle open to serious objection, but I do submit that it is open to much less objection when the control is placed in the hands of an unchanging,—unfortunately unchanging some Honourable Members may say—official Government than when it rests with a shifting and changing Government liable to change with all the shifting and changing of political parties in the country. Let Honourable Members consider the sort of position which exists in France today. If the control of currency is in the hands of a Government that perhaps changes once every fortnight, how can policy ever be conducted with any continuity and in a way which will give any confidence to those who have to do business in the country? That is the

motive for making this change now, and I am glad that my Honourable friend raised the point, because it has given me a chance of explaining why that condition has been put in, and meeting, I hope, a good deal of the suspicions which had been voiced by Honourable Members opposite as to the reason for the insertion of that provision in the White Paper scheme.

Now, Sir, that I think is all that I need say on this matter. This plan, which is now before the House, represents the result of a long and careful thought and long and careful discussion. We think that in this plan we have provided an even balance between the shareholders on the one side and public interests on the other. We think, that this is the best device for starting this Bank in India in a position to carry out the functions which have to be placed upon it. We believe that if you were to endeavour to do it by means of a State Bank, even though you tried to impose self-denying ordinances on the Government of the day, you could not, having regard to the long past traditions in India, create that spirit of independence which is the essential purpose of this plan. You have to consider Indian conditions and past history. A change is required now, and the only way in which we feel that there is any reasonable chance of creating this independent body is to follow this plan, base it on the shareholder's idea, but so limit the shareholders' powers and rights that they cannot use their influence to have the affairs of the Bank directed in anything else but the public interests. That, Sir, is our position and I sincerely hope that the House will accept it and that we may now turn a page of history and regard this long controversy as closed. (Applause.)

**Mr. President** (The Honourable Sir Shanmukham Chetty): The original question was:

"That clause 4 stand part of the Bill."

Since which an amendment has been moved:

"That for clause 4 of the Bill, the following be substituted:

"4. The original share capital of the Bank shall be five crores of rupees which shall be fully subscribed by Government".

The question that I have to put is that that amendment be made.

The Assembly divided:

**AYES—33.**

Abdul Matin Chaudhury, Mr.  
Aggarwal, Mr. Jagan Nath.  
Aznar Ali, Mr. Muhammad.  
Ba Maung, U.  
Badi-uz-Zaman, Maulvi.  
Bhuput Singh, Mr.  
Das, Mr. B.  
Dutt, Mr. Amar Nath.  
Jadhay, Mr. B. V.  
Jha, Pandit Ram Krishna.  
Jog, Mr. S. G.  
Lahiri Chaudhury, Mr. D. K.  
Lalchand Navalrai, Mr.  
Mahapatra, Mr. Sitakanta.  
Maswood Ahmad, Mr. M.  
Mitra, Mr. S. C.  
Murtaza Saheb Bahadur, Maulvi  
Sayyid.

Neogy, Mr. K. C.  
Pandya, Mr. Vidya Sagar.  
Patil, Rao Bahadur B. L.  
Phookun, Mr. T. R.  
Puri, Mr. B. R.  
Reddi, Mr. P. G.  
Reddi, Mr. T. N. Ramakrishna.  
Roy, Kumar G. R.  
Sant Singh, Sardar.  
Sen, Mr. S. C.  
Slafee Dacodi, Maulvi Muhammad.  
Singh, Mr. Gaya Prasad.  
Sitaramaraju, Mr. B.  
Thampan, Mr. K. P.  
Uppi Saheb Bahadur, Mr.  
Ziauddin Ahmad, Dr.

## NOES—76.

Abdul Aziz, Khan Bahadur Mian.	Morgan, Mr. G.
Ahmad Nawaz Khan, Major Nawab.	Muazzam Sabib Bahadur, Mr.
Allah Baksh Khan Tiwana, Khan	Muhammad.
Bahadur Malik.	
Anklesaria, Mr. N. N.	Mudaliar, Diwan Bahadur A.
Anwar-ul-Azim, Mr. Muhammad.	Ramaswami.
Ayangar, Mr. V. K. A. Aravamudha,	Mujumdar, Sardar G. N.
Bajpai, Mr. G. S.	Mukherjee, Rai Bahadur S. C.
Bhore, The Honourable Sir Joseph.	Novce, Th: Honourable Sir Frank,
Bower, Mr. E. H. M.	O'Sullivan, Mr. D. N.
Chatarji, Mr. J. M.	Pandit, Rao Bahadur S. R.
Chinoy, Mr. Rahimtoola M.	Parma Nand, Bhai.
Clow, Mr. A. G.	Puri, Mr. Goswami M. R.
Cox, Mr. A. R.	Rafiuddin Ahmad, Khan Bahadur
Dalal, Dr. R. D.	Maulvi.
Dash, Mr. A. J.	Raghbir Singh, Rai Bahadur Kunwar.
DeSouza, Dr. F. X.	Raisman, Mr. A.
Dillon, Mr. W.	Rajah, Raja Sir Vasudeva.
Dumasia, Mr. N. M.	Rajah, Rao Bahadur M. C.
Graham, Sir Lancelot.	Ramakrishna Mr. V.
Grantham, Mr. S. G.	Ranga Iyer Mr. C. S.
Haig, The Honourable Sir Harry.	Rastogi, Mr. Badri Lal.
Hezlett, Mr. J.	Rau, Mr. P. R.
Hudson, Sir Leslie.	Sarma, Mr. R. S.
Ibrahim Ali Khan, Lieut. Nawab	Schuster, The Honourable Sir George
Muhammad.	Scott, Mr. J. Ramsay.
Ishwarsingji, Nawab Naharsingji.	Shah Nawaz, Mian Muhammad.
Ismail Ali Khan, Kunwar Hajee.	Sher Muhammad Khan Gakhar,
James, Mr. F. E.	Captain.
Jawahar Singh, Sardar Bahadur	Singh, Kumar Gupteshwar Prasad.
Sardar	Singh, Mr. Pradyumna Prashad,
Jehangir, Sir Cowasji.	Sinha, Rai Bahadur Madan Mohan.
Krishnaichariar, Raja Bahadur G.	Sloan, Mr. T.
Lal Chand Hony, Captain Rao	Smith, Mr. R.
Bahadur Chaudhri.	Studd, Mr. E.
Lee, Mr. D. J. N.	Suhrawardy, Sir Abdulla-al-Mamun.
Mackenzie, Mr. R. T. H.	Talib Mehdi Khan, Nawab Major
Macmillan, Mr. A. M.	Malik.
Metcalfe, Mr. H. A. F.	Tottenham, Mr. G. R. F.
Millar, Mr. E. S.	Wajihuddin, Khan Bahadur Haji.
Milligan, Mr. J. A.	Wilayatullah, Khan Bahadur H. M.
Mitter, The Honourable Sir Brojendra.	Yakub, Sir Muhammad.
Mody, Mr. H. P.	Yamin Khan, Mr. Muhammad.

The motion was negatived. |

The Assembly then adjourned till Eleven of the Clock on Wednesday,  
the 6th December, 1938. |

## LEGISLATIVE ASSEMBLY.

*Wednesday, 6th December, 1933.*

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

### THE RESERVE BANK OF INDIA BILL.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of clause 4 of the Reserve Bank Bill. Amendments numbered 18, 19, 20 and 21 fall according to the verdict given on Mr. Mitra's amendment. Amendment No. 22—**Mr. Vidya Sagar Pandya.**

**Mr. Vidya Sagar Pandya** (Madras: Indian Commerce): Sir, I openly congratulate . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): Does the Honourable Member move his amendment?

**Mr. Vidya Sagar Pandya:** Yes, Sir. I beg to move:

"That in sub-clause (7) of clause 4 of the Bill, for the word 'five' the words 'seven and a half' be substituted."

Sir, I openly congratulate the Honourable the Finance Member and the Government upon their great success in getting this House to agree to a Shareholders Bank as against a State Bank as demanded by the Indian public, by a majority of forty-three, though the Government had a majority of only three in the Joint Select Committee. After the acceptance of the constitution of the Reserve Bank of India on a shareholder basis by such an overwhelming majority and even by a majority of non-official elected Members amongst themselves, it is no use tinkering with the Bill and trying to modify it in parts with a view to its working as a State or semi-State Bank. Sir, let the Bank be an alloyed or unalloyed Shareholders Bank to the Government's own liking and let the Government of India take the full responsibility in the matter. Sir, with such an overwhelming and clear majority on the side of the Government, there is no ghost of a chance for any non-official amendments, unless these are approved of by the Government, being carried in this House when the House and the parties and the Members are so much divided and when even several party Leaders openly vote with the Government and against the wishes of the majority of their own party. (Hear, hear.) Under these circumstances, I do not propose to move any of my amendments notice of which I have given. Thus, Sir, I beg leave of the Honourable House to withdraw my this amendment even.

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Muham-madan Rural): On a point of order, Sir. Will it be correct for the Honourable Member to authorise any other person to move amendment standing in his name?

**Mr. President** (The Honourable Sir Shanmukham Chetty): That cannot be done.

Now an amendment has been moved accompanied by a request for leave to withdraw it. The amendment runs:

"That in sub-clause (7) of clause 4 of the Bill, for the word 'five' the words 'seven and a half' be substituted."

Has the Honourable Member the leave of the House to withdraw this amendment?

**Several Honourable Members**: No, no.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member has not got the leave of the House to withdraw his amendment.

**Mr. S. C. Mitra** (Chittagong and Rajshahi Divisions: Non-Muham-madan Rural): Sir, the Honourable the Mover of this amendment has moved that the capital of this Central Bank of India should be Rs. 7½ crores instead of five crores of rupees. As he has given no reasons why he wanted to increase the share capital, it is very difficult for us to know how we can meet his arguments. In the Select Committee, he had not placed before us any reasons, nor was it even suggested by the Honourable the Mover of this amendment as to why he wanted to increase the capital. The onus, therefore, lies heavily upon him, particularly he being a member of the Joint Select Committee, for making out a case for his proposition. He did not raise the point there, nor has he given any reasons here for increasing the share capital. I think, therefore, we should oppose this motion.

Sir, in this connection I should like to refer to the point that the Honourable Member has tried to make that because there is no chance of carrying any amendment against the Government opposition in this House, that is a valid argument against our trying to do our best to press forward views that prevail in the country and to bring out what the country wants in connection with the Reserve Bank Bill as it has come out of the Select Committee and how it should now be amended by this House. Sir, it is a commonplace thing in the working of every Constitution that there is the majority party and there is the Opposition which, for the time being, is in the minority in this House, of course with this difference that the minority in other countries have their chance of becoming the majority if they can show that they would serve the country's interests better. Our Constitution, however, is unalterable, and, therefore, whether we are in the majority or in the minority, we must always be in opposition. But still I think it is the bounden duty of this Opposition to press forward everything that is for the best interests of the country according to their view and to try at any rate to influence the attitude of the Government. To take the familiar example of the British House of Commons, we know that the Labour Party, which forms the Opposition, is composed of about 50 members, with ten times their

number forming the Treasury Benches and their supporters; but, yet, on all important occasions, as His Majesty's Opposition, they think it their duty not only to put forward their views, but also to divide the whole House and to put on record their side of the case. Here also, I think, we owe it to our constituency that whatever we consider to be in the best interests of the country and whatever we consider to be their views, we should put on record in this House. I know, there are Members who really think that nothing can be gained even by putting forward their views, and for them, if they think it is all useless, certainly it is better to resign and go back; but in the case of all those who seriously take any part in the work of the Legislature, I think constitutionally, morally and honestly they should try their best to put forth their views for the consideration of the Government even though they cannot carry the House with them. Sir, with these words, I oppose the amendment.

**Mr. Amar Nath Dutt** (Burdwan Division : Non-Muhammadan Rural) : Sir, I cannot support the amendment which my Honourable friend has just now moved, for I do not know the reasons which led him to put forward an amendment like that. To move an amendment and then immediately to ask for leave to withdraw it after saying something about the voting strength of this House was not, I think, relevant. But as he has introduced that matter with respect to this amendment, I beg to submit that he need not have been so disheartened as he seemed to be that the voting strength is overwhelmingly on the other side. Now, Sir, if we eliminate the 26 official Members who are bound to vote for the official Bill and the 14 other nominated Members, who are pledged also to support the Government (*Cries of "No, no"* from the Official Benches), I beg to submit that the voting majority in this case will be reduced from 43 to 3. So, it is not an overwhelming majority and, if we take into consideration the presence of our friends of the European Group and also some of the habitual supporters of the Government, then I think we can claim that we really have an elected majority in the matter. Under the circumstances, I think the only possible gain that we can have by tabling an amendment, although I have tabled none, is to place before this House our views about certain clauses of the Bill. If we do it and if we try our best to impress upon the Government what our views are about this Bill, I think we all have done our duty towards ourselves as well as towards the Government and the country. In that, we should not fail and I submit that the proposal for the withdrawal of the amendment was not supported by us for that very reason. With these words, I oppose the amendment.

**Mr. M. Maswood Ahmad** (Patna and Chota Nagpur cum Orissa : Muhammadan) : Sir, I am very sorry that my Honourable friend, Mr. Vidya Sagar Pandya, has moved this amendment and at the same time he wants to withdraw it. This has made our position a little weaker no doubt. I request him, Sir, not to be disheartened and to join hand with us for the benefit of the Motherland.

I am sorry that I do not agree with Mr. Mitra because he has opposed the amendment. I think it would have been better for him to allow him to withdraw his amendment if he was against this amendment. But when he said that he would not allow Mr. Pandya to withdraw his amendment, then he ought to have supported it. I do not understand his position at all.

**Mr. S. C. Mitra:** I said that the amendment was not moved by Mr. Pandya in the Select Committee nor did he give any reason why he did not move it.

**Mr. M. Maswood Ahmad:** Very well, Sir. If there were sufficient reasons for opposing the amendment, it was better for Mr. Mitra to allow my Honourable friend from Madras to withdraw it.

**Mr. S. C. Mitra:** That point I have also explained in my speech.

**Mr. M. Maswood Ahmad:** Sir, now I leave the explanation which did not convince me. In this connection I wish to say a few words. There is no doubt that, from amongst the Indian elected Members, 33 voted against the Government and only 28 elected Indian Members voted with the Government and I hope my Honourable friend, Sir Lancelot Graham, will not contradict this statement of mine.

Though my friend, Mr. Pandya, did not say a single word in support of 7½ crores, I support his amendment, the reason being that you will find from my amendment No. 27 that it proposes to create new registers in Karachi, Lahore, Patna and Cawnpore. For that purpose it will be necessary to increase the amount from five crores to 7½ crores. I do not desire to say anything at this stage as to why I propose to increase the number of registers, as I wish to deal with that subject when my amendment is moved. But I must say now that an increase in the capital is very essential. If these new registers are created, then certainly more shares will be required for these registers as our Bombay and Calcutta friends may not like to reduce their shares which are about Rs. 1,40,00,000 and Rs. 1,45,00,000, respectively. It is for this reason especially that I support this amendment.

In this connection, Sir, I would like to warn the Muslim Members who have voted with the Government and I request them to support us in this matter. I would very much like to know from them what is Government going to do for them that they are blindly supporting them in such vital questions. I want to know whether they have got any assurance from the Government that one of the Deputy Governors will be a Muslim. If they maintain that this question cannot be raised, then let me tell them that my Honourable friend, the Finance Member, has admitted this much that at least one Indian will be one of the Deputy Governors. When this announcement was possible to make, was it not possible for him to say that one of the Deputy Governors would be a Muslim or a member of the minority communities. I want to know from the Muslim supporters of the Government whether they have received any assurance from the Government that the Muslims will have any seat on the Directorate? No such assurance has been given by the Government up till now. I want to know from them if they have received any assurance from the Local Governments that on the local boards Muslims will get their representation.

**Mr. President (The Honourable Sir Shammukham Chetty):** The Honourable Member had better settle that question in its proper place. He may now confine himself to the capital of the Bank.

**Mr. M. Maswood Ahmad:** Sir, I am only warning my friends that they may not oppose me and support the Government blindly in this amendment. I want to remind them that they have not got any assurance from the Government for Muslims. That being the case, why are they so blindly supporting the Government? They are not gaining anything from the Government for their support. Therefore, they must support us on this question as it is very necessary that the amount should be increased from five crores to  $7\frac{1}{2}$  crores, so that it may be distributed on the registers which will be created.

**Sir Cowasji Jehangir** (Bombay City: Non-Muhammadan Urban): Sir, the amendment moved by my Honourable friend is to raise the share capital from five to  $7\frac{1}{2}$  crores and it is not such a simple matter as some of my Honourable friends seem to imagine. Surplus capital is always a dangerous thing for any company. If the Reserve Bank could utilise  $7\frac{1}{2}$  crores with benefit to itself and to its shareholders and to Government, who are to share its profits, nobody would have the slightest objection, but it is doubtful if this  $7\frac{1}{2}$  crores could be utilised with any benefit. If my Honourable friends have moved this amendment or have supported it merely with the object of fulfilling the desire of some Members of this House to have a larger share capital allotted to their provinces, may I respectfully point out to them that it is not a very good reason. If they so desire and if they think that their provinces can subscribe to a larger amount of capital than has been laid down in the Bill, let them move for a larger portion of the capital. If they think that it is unfair to give Bengal, with all the other provinces included in that register, one crore and 45 lakhs, let them move for its reduction. If they consider that Bombay should not get one crore and 40 lakhs, let them move for the reduction. Personally, let me tell my Honourable friends that I attach very little value to the amounts assigned to these registers, because there is going to be a transfer of shares from one register to another and if one register is not able to hold the full amount allotted to it, it is bound to go to another register. You cannot help it. It is like trying to keep water in a place where the levels are against it; it must flow away unless you dam it and we are not going to dam the share capital in any way in this Bill. Under the circumstances, I do not think the object will be fulfilled and I would urge Honourable Members not to overload this Bank with unnecessary capital and reduce the chances of the Bank making a reasonable profit.

**The Honourable Sir George Schuster** (Finance Member): Sir, I have no objection to my Honourable friend withdrawing this amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (1) of clause 4 of the Bill, for the word 'five' the words 'seven and a half' be substituted."

The motion was negatived.

**Mr. B. Sitaramaraju** (Ganjam cum Vizagapatam: Non-Muhammadan Rural): There is another amendment to the same effect in the name of my Honourable friend, Raja Bahadur Krishnamachariar, who is the Leader of an important Group, and I understand that he intends to move that amendment. Therefore, I do not propose to move my amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member cannot make it as a condition.

**Mr. B. Sitaramaraju:** I understand he is going to move it and, therefore, I am not moving my amendment\*.

**Raja Bahadur G. Krishnamachariar** (Tanjore cum. Trichinopoly: Non-Muhammadan Rural): I think it will come in my time.

**Mr. Amar Nath Dutt:** Now is your time.

**Dr. Ziauddin Ahmad:** The only question is whether this particular proviso should be added to sub-clause (1) or sub-clause (3). I think sub-clause (3) would be a more suitable place.

**Mr. President** (The Honourable Sir Shanmukham Chetty): That is perfectly immaterial to the question. It is open to an Honourable Member who has tabled an amendment to get up and say that he does not want to move it.

**Raja Bahadur G. Krishnamachariar:** May I move my amendment now?

**Mr. President** (The Honourable Sir Shanmukham Chetty): No. In his turn the Honourable Member can move it.

**Mr. Bhuput Sing** (Bihar and Orissa: Landholders): Sir, I beg to move:

"That at the end of sub-clause (1) of clause 4 of the Bill, the following be inserted :

'but the Government shall have the right to buy up all shares of the Bank at any time after the lapse of fifteen years from the date of opening of the Bank'."

Sir, this is a very simple provision and it is nothing new here. It only allows the State to purchase shares after the lapse of 15 years and this is not a new principle that is being introduced in India. There are many Central Banks on the Continent of Europe where such a principle does exist. I can quote some of the relevant clauses of some of the Banks to show that such a provision does exist. I shall take the case of the Austrian Bank. In the Federal Bank of Austria:

"The Federal Government is, with sanction of Legislature entitled to take over business of Bank at its real value in event of expiry of privilege, loss of privilege, or liquidation before expiration of privilege."

Then, take the case of Czechoslovakia:

"If Charter expires State has right to take over entire assets with liabilities or only a part of them."

Similar provisions do exist in the case of Danzig, Denmark, Estonia, Germany, Hungary, Lithuania, Poland and several other Banks. I need not go into the Charters of these Banks. My intention is that if the Bank is not run properly, then the State should come and take over the shares from the public. Supposing the Bank is not run in the interests of the country and supposing the credit and the currency policy is not properly managed, then it is the duty of the State to take over the shares. Now, the Bank may conduct such a business without violating the provisions of the Act, but its policy may be detrimental to the interests of the country. In that case, it is the duty of every State to take the management of the Bank. This is

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\* "That at the end of sub-clause (1) of clause 4 of the Bill, the words 'and figures' 'and 75 per cent. of the paid up capital shall be held by nationals' be inserted."

only a permissive clause and it does not ask the State compulsorily to take over the shares after 15 years. The Government should accept this provision in the Statute. They may say that the Legislature or the Government have inherent rights to take over shares any time they like. But, I submit, no harm will be done in having a clause like this in the Bill. With these words, I move my amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That at the end of sub-clause (1) of clause 4 of the Bill, the following be inserted :

"but the Government shall have the right to buy up all shares of the Bank at any time after the lapse of fifteen years from the date of opening of the Bank."

**Raja Bahadur G. Krishnamachariar**: Sir, after having agreed to a Shareholders Bank yesterday, I am not sure how this condition would work, but, at the same time, I do feel that it is just possible that the danger pointed out by my Honourable friend, Mr. Aggarwal, may come into existence. It seems to me, however, instead of putting this proviso and taking a leap into the unknown, it would be a much better thing if my Honourable friend would agree to move an amendment to sub-clause (4) of clause 1 by saying that this Act shall remain in force for a period of 15 years instead of 25 years. Even if my Honourable friend's amendment is accepted, we cannot do anything at present. It is only after 15 years, we can sit down and see what to do and what not to do, whether the Act conforms to what we consider to be the proper method or whether something else has to be put down. If that is the only object of the amendment, as I consider it is, then, I submit, the same object will be achieved by the amendment to sub-clause (4) of clause 1 as I indicated, leaving the position to work itself for the next 15 years according to the scheme of the Shareholders Bill undisturbed by any trouble as to what may happen after 15 years, whether Government are going to purchase the shares and all that sort of thing. I would request my Honourable friend to see if he cannot accept my suggestion and withdraw his amendment leaving him to move the amendment I suggested to sub-clause (4) of clause 1 at the proper time.

**Mr. Muhammad Azhar Ali** (Lucknow and Fyzabad Divisions: Muhammadan Rural): Sir, those of us who support the State Bank and have given elaborate reasons for the same for some days here and also those of us who find that there is nothing in this Bill to provide any relief for the agriculturists or the landlords or to any of those who hold property in this country, consider that this period of 15 years is a very long period for this Act to come to an end. This clause, moved as an amendment by my Honourable friend, will provide a source or a principle for this House or for the future House to amend this Act and, at the same time, for the Government to acquire the Bank. Whether this Bank fails or whether the country does not like the Bank in its present condition, after 15 years, I think they would at least have sufficient experience. It will enable the Government too to have the right, if circumstances justify, to turn this Bank into a State Bank. I support the amendment.

**Mr. Muhammad Yamin Khan** (Agra Division: Muhammadan Rural): Sir, we had a long discussion about this in the Committee . . . .

**Mr. Gaya Prasad Singh** (Muzaffarpur cum Champaran: Non-Muhammadan): Which Committee? London Committee?

**Mr. Muhammad Yamin Khan:** No, the Committee of which you were also a member. It looks rather difficult to press this point every time when we have already, by a huge majority, adopted the scheme of a Shareholders' Bank and not a State Bank, and it is curious that we should bring in a device to deprive the shareholders of the benefit which may accrue to them later on, and by this amendment my friend only intends that the shareholders, who will subscribe to this Bank, should be only the money-lenders who can invest their amounts for a particular period. But if the desire is that the shares may be held by the poor people and the agriculturists, then they must have a security so that after a short period they may not be deprived of the benefit for the money which they have invested. No company can be started for a shorter period and if it is started to end after a few years, the people, who will subscribe to that company, will think twice before they put their money there. The House decided by its vote yesterday that the Bank should be a Shareholders Bank, which means that the money should be subscribed by the people of India and not by a few rich people who want to use it for a shorter period. Of course, money-lenders can advance for a shorter period, but if you want to induce poorer people like agriculturists and clerks in the Secretariat to invest their money, then they must have some security and some knowledge that their money is secure and that they will not suffer after a few years. He must get the same advantage as an ordinary man purchasing a share in an ordinary company would get. This amendment is a new device to reopen, after 15 years, the question whether it should be a State Bank or a Shareholders Bank. And then who will decide this question? If Government make some money, then you should not deprive the shareholders of the chance of investing their money. If there is more profit, on account of their money, then they must not be deprived of it without their consent, because they will not be represented and will not have any voice. The shareholders will not come up here and argue their point. It will not be the people of India, but the Government of India who will decide their fate. It may be said that this House will be representative of the people, but the Members of this House will not come here on the specific question whether there should be a State Bank or whether they should vote for a Shareholders Bank. There will be only a few people; in the whole of India there will be one lakh shareholders who will get the vote and this one lakh cannot exercise sufficient influence on the Members of this House who will come from different places to decide their fate. I do not think it will be treating the future shareholders properly if we say that after a certain period Government should buy back all those shares, because these people will have no voice in deciding their own fate and they cannot argue their case.

One point may be advanced that, if this Bank is not working properly, why should it not be a State Bank? It will become a State Bank, because there is a provision already in this Bill which gives ample power to Government that, if the Bank fails to perform its functions, the Governor General will take back the whole management and it will be wound up. And I do not think it will be treating the poorer people of India fairly to place their fate in the hands of the future Government or even in the hands of the future Legislature who will not be coming and seeking their election on this direct issue. Therefore, I oppose this amendment.

**Mr. Muhammad Anwar-ul-Azim** (Chittagong Division: Muhammadan Rural): Sir, I am grateful to you for affording me this opportunity of speaking on this amendment. It seems to me that we are very forgetful of

Events that are happening here on the floor of this Assembly, and that is why I am now on my legs. I am neither here to say anything in reply to what has fallen from my esteemed friend, the present Secretary of the All-India Muslim League, of which I am one of the Vice-Presidents, nor am I questioning the propriety of the Leader of the Independent Party, losing his temper in the course of a debate in this House, nor am I to criticise my friend, Mr. Bhuput Sing, whether this amendment is rightly put and rightly couched. So far as this amendment is concerned, perhaps my friend, Mr. Bhuput Sing, and others feel that, after this Bill is passed, perhaps the door is slammed against them. But I can assure him that if he had taken a little trouble to go through the severe cross-examination to which the present Secretary of State for India was put by the Joint Select Committee in London, he would find there the strong commitments, on behalf of the Government of England, that this Assembly & the Assembly that will be coming in the future will have the power of moving Resolutions in order to influence the decisions of the Governor General in Council in important matters. Therefore, why should my friends on my right lose heart? Besides, it is also apparent from the trend of the examination by my esteemed friend, the Leader of the Independent Party (Sir Abdur Rahim), that the people will not be penalised in any way and that no newspaper will be penalised if they started an agitation over the wrong exercise of that discretion of the Governor General in Council which will be given to him under the particular instrument. If so, many things are available at the disposal of my friends on my right who are so anxious for a State Bank, and they should not lose heart and should not come with so many amendments which are likely to defer our decision on this matter.

**Dr. Ziauddin Ahmad:** Sir, I frankly admit that we were defeated yesterday on the question of Shareholders *versus* State Bank and we should now have our discussion and make every effort that a few capitalists should not monopolise the Bank. I entirely agree with Mr. Ranga Iyer and differ from my friend, Mr. Neogy, that the country was unanimous in demanding a State Bank. No doubt the country is divided, but the principle of division is very different. The dividing line is really the four walls of this building: public opinion outside this Assembly Chamber is overwhelmingly in favour of a State Bank. (*An Honourable Member: "Question".*) But it has been proved that public opinion, as represented in this Assembly, is also overwhelmingly in favour of a Shareholders Bank. So we should take the scheme of shareholder. We on this side have been advancing arguments only on the question of Shareholders *versus* State Bank; but we have not examined the scheme of a Shareholders Bank as it is presented to us. I say that the scheme, as it is now before us, is one that is open to very grave doubts, and I am not certain whether it is constitutionally correct. It is a general principle in any theory that if you establish one case in which a thing cannot work, then the scheme is wrong. I am now going to give you a case in which it may be impossible to establish a Board of Directors or the local boards in any way. Suppose five lakhs of persons apply for a share, each of Rs. 100—I appeal to my two Honourable friends opposite, for it is for them to consider it particularly—I say the theory you are now advancing is mathematically wrong and I am going to prove it. . . . .

**The Honourable Sir George Schuster:** My Honourable friend surely should address the Chair and not me on the subject.

**Dr. Ziauddin Ahmad:** I always address the Members through the Chair and not directly. I say, supposing five lakhs of persons apply for one share each of Rs. 100, none of these persons will have the right to vote or attend any meeting; and so there cannot be a meeting of the local or Central Boards, and consequently there can be no election of Directors. I say this possibility can arise. . . .

**Mr. Muhammad Yamin Khan:** Will there be nobody in the whole of India who will apply for five shares and pay Rs. 500?

**Sir Cowasji Jehangir:** Before my Honourable friend goes any further, may I appeal to him to read the Bill, because if he had read the Bill he would not have made these remarks. (Interruptions.)

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member should not give way so easily.

**Dr. Ziauddin Ahmad:** The value of a share is Rs. 100; and suppose there are five lakhs of persons asking for one share each, and nobody is willing to purchase more than one share and invest more than Rs. 100. . . .

**Mr. B. R. Puri** (West Punjab: Non-Muhammadan): May I know which particular part of the Bill Sir Cowasji Jehangir was referring to?

**Mr. President** (The Honourable Sir Shanmukham Chetty): It is Dr. Ziauddin Ahmad who is speaking now.

**Dr. Ziauddin Ahmad:** I shall take a hypothetical example. When you make a law, you have to provide for hypothetical cases also, and my hypothetical case is this: suppose five lakhs of persons apply for one share each and none of them is willing to spare more money, then how are you going to allot the shares and how is an election to take place? In that case, the whole scheme will fail. . . .

**Mr. M. Maswood Ahmad:** Each European will apply for five shares in all the five circles.

**Dr. Ziauddin Ahmad:** I am not speaking of any particular community: when a law is enacted, it must be made to cover all possible cases that might arise; and this is a possible case, though I admit it is not probable: still we must make provision for such cases. . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): What happens if nobody applies for shares?

**Dr. Ziauddin Ahmad:** That was my first objection. . . .

**Raja Bahadur G. Krishnamachariar:** I apply for five shares and have the Bank entirely under my control.

**Dr. Ziauddin Ahmad:** The other question that might possibly arise is the one that the Honourable Mr. President himself has suggested: suppose no one applies for shares; in that case also the machinery will be penalised. For these exceptional cases, I think, there ought to be some provision, so that the law may not be defective.

The second point is this: I shall criticise the scheme as a whole first and then I will come to the specific points. I say it is not really the principle of democracy that we are introducing by this Bill, but the principle of oligarchy and I am going to give you certain figures. . . .

**The Honourable Sir Brojendra Mitter (Law Member):** Invite Professor Einstein to solve these problems,

**Dr. Ziauddin Ahmad:** Since the Members on the Treasury Benches are competent to do everything, they are also quite competent to take the part of Einstein or of any other Professor or Scientist. I now take an example. At Rs. 100 a share, there are five lakhs of shares. Out of these 5,00,000, there is bound to be some wastage: that is any person holding less than five shares will not have a vote: persons having seven or eight shares will have only one vote for the five shares and no vote for the remaining two or three: so there will be some kind of wastage on account of people purchasing shares not in exact multiples of five, but in sub-multiples. I calculate that we may safely put down this figure of wastage at 25 per cent: so, out of these 5,00,000 shares, only persons having five shares each will have a vote: and, allowing for wastage, as I have indicated above, to the extent of 25 per cent. it leaves us with 75,000 voters. Then comes the question of plurality of votes. The maximum number of votes a shareholder can have is 10, and persons having more than 50 shares cannot have more than 10 votes. On account of this thing, I put down the approximate value of votes to be five and, therefore, only 15,000 persons will really be available for votes. Out of this 15,000, let us see how many will really vote: it is our experience that more than 20 per cent of the total amount of votes will never come forward and give a vote either by means of proxy or by other methods. So we get 20 per cent of this 15,000, that is to say, the number of votes really available will only be 3,000. Now, this 3,000 will be distributed among five centres and, therefore, there will be only 600 persons in each area who will come forward and vote: and this is what is called liberalisation and nationalisation, which will be limited to the votes of 600 persons in each area. I say, if the number of actual voters in each area is deduced to 600 persons then can you really call it Indianisation or you may say that the whole thing is liberalised. Sir, these things really ought to have been worked out by the Finance Department, but my experience is not only of this, but of other proposals relating to customs and tariff, etc., that this Department is the most unscientific Department in the Government of India. They have got the figures, but they are never able to substantiate their assertions by scientific arguments. The whole scheme, as is laid before us, is open to very serious criticism and it requires very detailed consideration. Though, no doubt, we are defeated, I must say that we are going to work out the shareholders' scheme and give it a trial. The present proposal is that we should give a time limit. What we say is that should Government find, after a period of, say, 15 years, that the scheme is failing, they should have the option to purchase these shares. It does

[Dr. Ziauddin Ahmad.]

not follow that they should do it, but we want to give them the option to do it. My friend, Mr. Yamin Khan, suggested that we would be doing a great injustice to the poor people, if we buy these shares. This reminds me of the conception of poverty by the Emperor Bahadur Shah. There was a great famine in Delhi at one time and the King was approached for help, and he said that the poor people would at least have a dish of pulao . . . .

**Raja Bahadur G. Krishnamachariar:** Not pulao, but khichdi.

**Dr. Ziauddin Ahmad:** Very well, we will say khichdi,—that was really the lowest conception of extreme poverty. That is to say, a person who has only one dish of khichdi is a very poor man. So my friend thinks that a man who can afford to purchase a share of Rs. 100 is a poor person, but I think a man who is in a position to purchase a share of Rs. 100 cannot be included in the category of a poor man, because though he cannot be called rich, he certainly can't be put in the category of a poor man in this country; he will be a middle class man, because poor people will never have Rs. 100 to invest on a share of this kind. The other point is, we have got short term loans here already. The Government have floated a loan which can be payable at any time between 1929 and 1947, and the option is always left to Government and everybody will see that Government may or may not be . . . .

**Mr. Muhammad Yamin Khan:** Is my Honourable friend aware that the agriculturists have invested their money in these short term loans? Is my friend aware of the fact that a large number of agriculturists have subscribed for these short term loans?

**Dr. Ziauddin Ahmad:** I started with that assumption, any way, I say, if you can tell these people, whether, rich, middle class or poor, if you can tell these people beforehand about this option, that the amount may be paid back at any time after an interval of 15 years, there is no injustice done. The Bill already provides for a period and it is 25 years. This particular provision gives the option to purchase it at any time between 15 and 25 years, and this is not contrary to the practice followed by the Government of India in raising their loans.

Before I sit down, Sir,—this is the first time I have spoken after eight days,—I should like to reply to a charge that was levied on the floor of the House against me on the question of the Ottawa Agreement. People said that I had changed my mind in connection with the Ottawa Agreement . . . .

**The Honourable Sir Brojendra Mitter:** The Ottawa Agreement is hardly relevant to the present question.

**Dr. Ziauddin Ahmad:** It is not relevant, I know, but since I was accused on the floor of the House of having changed my mind, I should merely like to reply to that accusation. Sir, I don't see that there is any harm in changing one's opinions. People do change their opinions, and I have changed my opinion, and I will not hesitate to change my opinion if strong

arguments are given and circumstances change. At the same time, if I change my opinion, I will certainly publicly give the arguments and reasons as to why I have changed my opinion; but if a person changes his opinion in the same way as a person changes his clothes, then, of course, it is objectionable. Persons may change their opinions, and it is their duty, for the guidance of the public to give reasons in plain words as to why they changed their opinion. But if a man changes his opinion without giving any reasons for so doing, that is of course very unjustifiable, and this is the objection.

In the first place, I mention that I never opposed the Ottawa Agreement. I myself moved a reference to Select Committee. In the Committee I was convinced that that was really for the benefit of India, and I still say that it has proved beneficial to India, though not to the extent we had expected. Now, that it has proved beneficial is proved from the figures . . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): Certainly, the figures relating to the trade of India with Great Britain are not relevant to this particular amendment. The Honourable Member must know that.

**Dr. Ziauddin Ahmad:** Very well, Sir, I shall not give any detailed arguments about this Ottawa Agreement, but I would like to mention that our balance of trade began to improve after the Ottawa Agreement, although the expectations that we made were not realised for two reasons. In the first place, the Government gave up the Ottawa Agreement and took up an all-world problem of economic depression, and, secondly, our trade figures are not the same now as they were in 1929. These are really the points that I want to mention, and I say clearly that there is absolutely no harm to change one's opinion provided the man puts down, for the benefit of the public, the reasons as to why he has changed his opinion in clear and unambiguous terms. With these words, Sir, I support the motion.

**Mr. B. Sitaramaraju:** Sir, some of us on this side of the House attach very great importance to a provision in this Bill which would enable the Government at any time to purchase these shares. In pressing that point of view, it is not my desire to revive the controversy we have had for four or five days on the question whether we should have a State Bank or a Shareholders Bank. Just now my friend, the Leader of the United India Party, has given his thoughts on this question again, but I would invite him and those of his way of thinking to the very weighty words uttered by the Honourable the Finance Member in closing that controversy. He stated that there was a good deal to be said on both sides of the question. He never denied that, but according to him, under present circumstances, it is necessary to have a Shareholders Bank. The verdict of the 12 Noon. House supported his point of view. I am not in any way influenced by the counsel of despair, or, if I may say so, by the despair of age of my Honourable friend, Mr. Vidya Sagar Pandya. I have always the confidence of youth, not for the results that we may or may not achieve on the floor of this House, but for the consciousness that I have done at least my duty on the floor of the House and hope that good may, however, come out of evil. I do not care whether it is shared by other Members of the House or not, but I have that consolation. It is not to revive that controversy that I have got up to speak on this amendment.

[Mr. B. Sitaramaraju.]

As I have said at the very beginning, I attach very great importance to a proviso in this Bill that it should be left to the State at any time to purchase the shares back. Lower in the Order Paper, there is an amendment standing in my name which does not give the latitude which my Honourable friend, Mr. Bhuput Sing's amendment gives. His amendment is to the effect that it should be open to the State to purchase the shares back after 15 years. I was not prepared to go even so far as that. I thought that the State should have at any time the right to purchase those shares. I am not unmindful of the remark made by my Honourable friend, Mr. Yamin Khan, the Leader of the United India Group, but I would invite his attention to the fact that this is not an ordinary joint stock bank or company that they are opening. It is to be a national institution where every national has got a right to know as to how it is working and take it up when they deem fit. The nation can never have a better agency, a Government responsible to them. I venture to submit, therefore, that if, at any time, it is considered best in the interests of the country that the Legislature should influence the future Government of the country to take back the shares, they should have the right to do so. After all, my Honourable friend, Mr. Yamin Khan's argument could not hold much water if he remembers that this Bill is for a period of twenty-five years. After twenty-five years, it is quite competent for this House to repeal it.

**Mr. Bhuput Sing:** Not for a period of 25 years only. The sub-clause says;

"... for a period of twenty five years and thereafter until repealed."

**Mr. B. Sitaramaraju:** That will come up before the House. When there is a provision for 25 years, then it must come up after 25 years for consideration.

**An Honourable Member:** How?

**Mr. Bhuput Sing:** No, no. The sub-clause is:

"twenty five years and thereafter until repealed."

**Mr. B. Sitaramaraju:** The question of repeal will come after 25 years.

**Some Honourable Members:** No no.

**Mr. B. Sitaramaraju:** Then, the very simple remedy is to change that portion of the Bill. I think my Honourable friend, Mr. Ramaswami Mudaliar, has got an amendment to that effect and it is that amendment that has misled me to think that this Bill cannot go beyond 25 years without our consent. Therefore, what my Honourable friend says is quite true. That is a matter in which we have to bestow a little more care to see how that provision should be suitably modified. But there is another point, and I would particularly ask my Honourable friends to pay a little more attention to it, and it is that, even under the provisions of this Bill, there is a clause under which the Government can supersede this Bank. They have got a provision to that effect,—clause 30. We, who know how the powers vested in the Government to supersede are really acted upon, we, who know something of municipal administration, we who know something of the local board administration,—we know how those powers of supersession are always applied. There is no appellate authority over the decision which

the Government may take under that provision. It gives large powers of discretion to the Government to supersede the Bank. Therefore, considering the fact that this proviso only says that if the Government deem it fit it should be competent to them to do so, considering the powers we are already going to give them, considering the great controversy that has been raised over this question and the probability that, after all, those who are today in a minority may be right and those who are in the majority today may be wrong, considering also various other circumstances that may have to come into play as time goes on. I think that the amendment which my Honourable friend, Mr. Bhuput Sing, is moving is not such a great concession which he would demand from those who are fortunately circumstanced today to be in a majority. I think, therefore, that this proviso to which we attach very great importance should be given due consideration by the House.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member may formally move amendment No. 26 that stands in his name, so that the discussion will be on both the amendments.

**Mr. B. Sitaramaraju:** Sir, I beg to move:

"That to sub-clause (1) of clause 4 of the Bill, the following proviso be added : 'Provided that it shall be competent to the Governor General in Council at any time to purchase the shares at par'."

**Mr. President** (The Honourable Sir Shanmukham Chetty): Further amendment moved:

"That to sub-clause (1) of clause 4 of the Bill, the following proviso be added : 'Provided that it shall be competent to the Governor General in Council at any time to purchase the shares at par'."

The House will now discuss the amendment of Mr. Bhuput Sing and also that of Mr. Sitaramaraju.

**Mr. Muhammad Yamin Khan:** May I say on a point of order that the discussion which has taken place on Mr. Bhuput Sing's amendment has already been to some extent exhausted? Mr. Sitaramaraju's amendment goes much farther than Mr. Bhuput Sing's amendment. Mr. Bhuput Sing's amendment gives a 15-year period, while Mr. Raju's amendment says, "at any time". There is another thing. Mr. Bhuput Sing's amendment does not say that the shares should be purchased at par, while Mr. Raju's amendment says they must be purchased at par, which is a totally different thing. If the Government want to purchase after 15 years . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): What is the Honourable Member's point of order? If the Honourable Member, who has already taken part in the discussion on Mr. Bhuput Sing's amendment, wants to add a few more words because of this further amendment, the Chair will allow him to do so.

**Mr. Muhammad Yamin Khan:** That is what I was telling.

**Mr. B. S. Sarma** (Nominated Non-Official): After the speech of the Leader of my Party explaining the attitude which the Centre Party would take on this amendment, I thought that there would have been no need for me to speak, and I certainly would not have intervened had it not been

[**Mr. R. S. Sarma.**]

for the provoking—I won't call it thought-provoking, (Laughter) but provoking—speech of the Leader of the United India Party. He said as his first reason that the principle, that there should be a shareholders' scheme of Reserve Bank, has been accepted in this House by a huge majority and, therefore, for all practical purposes that should not be discussed again, because we are committed to that scheme. That argument is neither relevant on this issue nor is it one which will appeal to any Member of this House in taking a decision on this matter, because I will put it to him very clearly that if there is a motion from the official side today that all the Members of the Legislative Assembly should commit suicide, I am sure, it will be passed by a huge majority in this House. (Laughter.) That does not affect us or appeal to us. But what I say is that there are other considerations why, as my Leader pointed out, this amendment would not get the support of the Centre Party. This House will remember—I may say that with a certain amount of pardonable pride—that the first suggestion of an alternate plan like this, that as a compromise between those who hold that a Shareholders Bank is the best, and those who think to the contrary, there should be some provision in the Bill empowering the State to purchase the shares, came from me in the speech which I delivered when this Bill was under consideration during the Simla Session.

**Mr. K. C. Neogy** (Dacca Division: Non-Muhammadan Rural): This point was referred to in the Select Committee's Report.

**Mr. R. S. Sarma:** Long before that. When this Bill was considered during the Simla Session after it was introduced there.

**Dr. Ziauddin Ahmad:** I remember that.

**Mr. R. S. Sarma:** Therefore, we are committed in principle to a policy like that, not on the arguments which Mr. Yamin Khan has just now adduced that the shareholders will suffer, that it is a novel thing and that there will be nobody to look after the interests of the shareholders then.

In the first place it was not at all novel, because, in all the railway shareholders agreements, there is always this provision that the State can buy after a particular time and with regard to the interests of the shareholders going by default even before the actual shareholders come into existence, we find champions advocating their cause, and when there are actual shareholders, there will be plenty of men who will look after their interests much better and much more sincerely than Mr. Yamin Khan. If we are against this amendment, the reason is this. If the suggestion of my Leader is accepted, namely, that this could with utility and better effect be moved as an amendment to clause 1, namely, that the charter should be only for a period of 15 years, it will cover a wider area and we thought that it would be a more acceptable amendment and better in principle. It is for those reasons that we thought of opposing this amendment on behalf of our Party.

**Sardar Sant Singh** (West Punjab: Sikh): Sir, I support this amendment of my Honourable friend, Mr. Bhuput Singh, and I support it on three grounds. The first is, that it is the compromise between the State Bank and the Shareholders Bank. Secondly, it will give us an experience

of the working of the Bank for a sufficiently long period. During this time we can certainly form our opinion whether the Reserve Bank has been kept free from political influence or not, and, thirdly, because this will give a notice to the shareholders from this time that the power is vested in the State to purchase their shares and they will not be able to claim compensation if the shares are purchased after the lapse of this period.

Now, as I pointed out in my speech yesterday, I am in favour of the Shareholders Bank provided I am assured that it will be free from political influence of all sorts. Herein is given a period during which India will have to judge for herself whether Whitehall or the City of London has or has not been interfering in the working of the Bank. We in India are peculiarly situated. We have bitter experience of the past that our monetary policy has not been worked solely in the interests of India and we are naturally anxious that in future the monetary policy of India should be worked in the interests of India alone and not in the interests of Great Britain or any other dominion. In this connection I think it is desirable that such a provision should exist in the Bill itself. My friend, Mr. Yamin Khan, expressed apprehension on behalf of the shareholders saying that those poor agriculturists, who will subscribe to the shares of the Bank, will not subscribe to it if they know that the period is not long enough for investing their money. My friend has probably forgotten that this Bank is not a profit making Bank. The maximum dividend is six per cent. and, even after the dissolution of the Bank, the shareholders cannot get any profit beyond a certain limit which is prescribed in the Bill itself. There is no reason for him to fear that the poor investor will be deprived of his just right after 15 years. I think the maximum that you can get under the Bill will be earned by the fifteenth year and, beyond that, they cannot go. The value of the shares will not go higher. Therefore, there can be no fear on that score. The second argument that he gave as to there being a provision in the Bill, the liquidation provision, which empowers the Governor General to take over the Bank's affairs in case the Bank is not working properly is not sound. The liquidation provision, my friend forgets, is a provision which will only be enforced when the Bank begins to totter. It would not be brought into use so long as the Bank is working properly. What we want is that, if the Bank is working properly and the credit and currency policy of the money market is being co-ordinated in the interests of India, there is no reason to suppose why any Government, which may be in power then, should try to purchase the shares. After all, it is a permissive amendment only. It is not a peremptory amendment. The Government of the day need not purchase the shares, but, in case the policy of the Bank goes wrong, the Government of the day, without any sanction from the Governor General as is provided for the currency and credit legislation, can step in and say that in future the Reserve Bank shall be a State Bank and that it shall be worked in the interests of Indians alone. Therefore, this is a most salutary amendment which has been proposed by Mr. Bhuput Sing and I support it.

**Sir Cowasji Jehangir:** Mr. President, it is not necessary to go into the various questions that have been raised on this amendment by my Honourable friends, but there is just one statement made by my friend, the Doctor, which I should not like to go uncontradicted. He stated that there might

[Sir Cowasji Jehangir.]

have been in this House a majority for a Shareholders Bank, but he confidently thought that, in the country as a whole, the people were unanimously in favour of a State Bank.

**Dr. Ziauddin Ahmad:** I said, substantial majority.

**Sir Cowasji Jehangir:** I do not believe that is correct. I believe there is a great deal of difference of opinion in the country, but I maintain that there are more supporters of a Shareholders Bank today than there ever were before. They may even be in a majority, and, so far as my province is concerned, I can say with some confidence that the majority are in favour of a Shareholders Bank.

Now, Sir, as to the question of changing one's opinion, I think every man not only has the right to change his opinion, but has to change his opinion in the interests of his country when circumstances change and when new facts come into existence and new facts are brought forward which one might not have been aware of when one originally came to a decision, but it is incumbent on everybody, as my Honourable friend, the Doctor, said to give not only reasons for a change of opinion, but what is much more important is that those reasons should be understood by everybody. To give reasons which are not understood is not of much use and, therefore, I think the most important point is that the reasons for change of opinion should be understood and, therefore, I deprecate, Mr. President, any allusion to change of opinion of any of our Honourable friends, whether they be in this House just now or they may not, on this important question.

As to the question of the voting power of shareholders in the future, I think my Honourable friend will realise that if he studies the Bill a little more, that provision has been made for most circumstances that may take place in the future and he need have no fear that nobody will apply for five shares, for I can guarantee that there will be at least three or four who sit within a few feet of me who will apply for Rs. 500 worth of shares, and, therefore, there will be some voters on the register when this Bill becomes an Act and the Reserve Bank is an accomplished fact.

**Dr. Ziauddin Ahmad:** The Honourable gentleman said something about giving reasons which are intelligible. Does he know the reasons given by Sir Purshotamdas Thakurdas and Mr. A. Rangaswami Aiyangar for changing their opinions?

**Sir Cowasji Jehangir:** Mr. President, I deprecate accusations of this kind against well-known men in the public life of India when they are not present here to answer such charges. They are quite capable of defending themselves outside and I am not here to defend them, but I do deprecate, and I would appeal to Honourable Members that it is not fair to make serious allegations against gentlemen who are not present in the House.

**Dr. Ziauddin Ahmad:** I did not say anything about these two gentlemen. I merely asked whether the Honourable speaker is aware of any arguments advanced by them? I simply asked for a "yes" or "no".

**Sir Cowasji Jehangir:** The fact is, Mr. President, if my Honourable friend wants to know it and insists on my giving the fact, the fact is

that my Honourable friend was present from day to day in London at these meetings and in daily touch with the members of that Committee, and not once did he say one word in favour of a State Bank, nor did he ask any of his friends who were on that Committee to advocate a State Bank, and, therefore, I do not think it right that he should now ask me for the opinions of members of that Committee who are not Members of this House—opinions which they may have expressed, which I am not aware of.

Sir, coming to the exact amendment, there has been a great deal of sympathy for this amendment in this House and I think the majority feel that the State should have the power to buy up all the shares at some stage or another. Now, the stage at which under this Bill the State can buy up all these shares is after the lapse of 25 years, after which it is contemplated that an amendment to the Act can be moved in this House affecting the rights of the shareholders. That is in clause 2, and the point raised by Mr. Bhuput Sing is—if I may so state it—whether it should be after 15 years or after 25 years. If he is of opinion that it should be after 25 years, then the provision is already there in the Bill.

**Mr. Gaya Prasad Singh:** Where is it?

**Sir Cowasji Jehangir:** Clause 1 (4) says:

"This Act shall remain in force for a period of twenty-five years and thereafter until repealed."

So, after 25 years, the Bill can be amended in certain respects so as to enable the State to buy up the shares. But the whole scheme is supposed to be in force for 25 years, and it is intended that no material change should be made for 25 years. Now, my Honourable friend desires that the State should be enabled to make a material change after fifteen years.

**Mr. Bhuput Sing:** My point is that the State should have the right to purchase all the shares at any time after the lapse of fifteen years if it is necessary to purchase the shares. There is no such provision that the Bill shall come up before the House after 25 years.

**Sir Cowasji Jehangir:** After 25 years, if the State, being the Government of the day, is of opinion that the shares should be all bought up, they can do so under the provisions of this Bill under clause 1 (4). I think that is the legal interpretation; so we were informed in the Select Committee. Under clause 1 (4), after 25 years, by an amendment of this Act the State can buy up all the shares. (*An Honourable Member: "At the market value?"*) No. There is a provision in the Bill that a certain proportion of the profits must go to the shareholders—25 per cent., 75 per cent must go back to the State. Twenty-five per cent must go to the shareholders, and what is more, if, under clause 90, the Bank is wound up or the State has to take over the management of the Bank, then, with regard to the profits, for each year the shareholders get one per cent. That is to say, if the Bank has got to be wound up after five years, they will get the return of their money at the par value plus five per cent. if the profits so warrant it, the balance going to Government, and, therefore, there is an object in putting in 25 years. The object is that the shareholders should get their share of the profits before the State should exercise its option

[Sir Cowasji Jehangir.]

of buying up the shares. So the period of 25 years is very significant. If his amendment was carried by the House, it would mean that after fifteen years the State would buy up all the shares, paying the shareholders at par *plus* only 15 per cent. of the profits, whereas the shareholders would be entitled to another 10 per cent if the Bank was allowed to go on as contemplated under this Bill for another ten years.

**The Honourable Sir George Schuster:** May I point out to my Honourable friend that it seems to me there is a lacuna in my Honourable friend's amendment, because nothing is said as to the price at which Government will be able to buy up the shares. It would not necessarily follow that the shareholders will get par value *plus* a premium in addition. I think my Honourable friend's amendment is defective on that point.

**Sir Cowasji Jehangir:** It may be that the legal interpretation may be that the clauses regarding winding up may not apply to my Honourable friend's amendment, and, therefore, after fifteen years, they will only get their monies back at par. I do not think that is what my Honourable friend intended. My Honourable friend would have to amend his amendment to carry out his real intention, and I am certain that that was not his intention and most probably he has overlooked it. I am not really so concerned as to the drafting of these clauses as the intentions of my Honourable friend. If the drafting can be improved, that will have to be done undoubtedly. After all, we are laymen in this House, we are not expert draftsmen, and when we express an opinion that we desire an amendment of the Bill in a certain direction, we do expect that the Law Officers of the Crown will see that our intentions are carried out in the Bill. That is all I suggest on behalf of the non-official side. I myself would have expected that my Honourable friends opposite would point out to me that my intention was not being carried out by the phraseology I have used, and, I should think, that should apply to all amendments moved in this House. What my Honourable friends mean, however, is that after 15 years the State should have the right to purchase all the shares, returning to the shareholders their money at par *plus* fifteen per cent. Now, the only issue before this House, in my humble opinion, is whether it should be 25 years or 15 years. If it is 25 years, then, as the Raja Bahadur very clearly pointed out, that provision is in the Bill. If it is 15 years, then my Honourable friend's amendment would have to be carried. I would like to have a confirmation of this from the Law Officers of the Government. Will the position be this that, for all other purposes, clause 1 (4) would remain in force but for this particular purpose, that is to say, if between 15 and 25 years of the life of this Bank the State wanted to exercise its option, then a provision should be made for it. I would like to have a confirmation of this.

**The Honourable Sir George Schuster:** I would like to tell my Honourable friend that the result would be a good deal more complicated than that. If the Government exercised their option to purchase at the end of 15 years, many of the provisions of this Bill would become inapplicable. The whole of the provisions for the election of Directors would disappear and amending legislation would be necessary. It would be necessary to legislate for setting up a State Bank. Therefore, all the provisions of the Act in Chapter II, at any rate, would cease to have effect.

**Sir Cowasji Jehangir:** That is exactly the point. I have not the slightest doubt in my mind that a new Bill would have to be moved. But the point is that, under clause 1 (4), Government would be precluded from moving such a Bill because it would be a breach of faith with the shareholders.

**The Honourable Sir George Schuster:** Not at all. I think there has been some misunderstanding as to the effect of clause 1 (4). There can be no clause put in to a legislative measure which prevents the Legislature from amending that measure.

**Sir Cowasji Jehangir:** If that is the assurance given . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): By no provision in an Act of this Legislature can this House preclude its successor from amending an Act which this House passes. The Honourable Member may put a hundred years in this Bill, but it will not prevent the same House next year from amending this Bill or any of its provisions.

**Sir Cowasji Jehangir:** But there is a third party in this case, the shareholders. This House can always amend the Act as it chooses within a year of its coming into force provided they are prepared to pay the damages to the shareholders. That is my view and I do maintain that if you invite the shareholders to subscribe the capital and then chuck the money back at them within a year or two, I think the shareholders have some grievance and have some claim.

**Mr. F. E. James** (Madras: European): If there is a compensatory clause in the Bill for such an event, then no shareholders would have any cause to grumble.

**Sir Cowasji Jehangir:** But there is no such clause. If you can amend this Act at any time so as to enable the State to buy up all the shares, then no provision in the Act is necessary. As soon as the Government of the day come to the conclusion that they should buy up all the shares, they move an amendment to that effect or bring in a new amending Bill and all the shares are bought up. But in that case I do think that a provision should be made to compensate the shareholders to enable them to get a proper percentage of the profits. No such provision has been made in the Bill. Now, may I ask what was the object of putting in clause 1 (4)? The object is to give an assurance to the shareholders that at least for 25 years they shall have a permanent investment.

**The Honourable Sir George Schuster:** That is so.

**Sir Cowasji Jehangir:** That is the object of the clause. Therefore, Sir, if you give an assurance of this sort to the shareholders in the Bill, you must also have a provision to compensate them if you change your mind or if the State changes its mind. I think Mr. Bhuput Sing or, for the matter of that, any layman would be carried away with the idea that for 25 years the State cannot interfere.

**Mr. N. N. Anklesaria** (Bombay Northern Division: Non-Muhammadan Rural): Is there anything which can debar this Legislature from repealing this compensation clause at any time it likes?

**Sir Cowasji Jehangir:** This Legislature or, for the matter of that, any Legislature can do the most unjust things and they have done the most unjust things in the past and, I feel sure, that the best of Legislatures will continue to do unjust things. But we cannot contemplate just now a Legislature in the future depriving the shareholders of their legitimate profits.

**Mr. B. R. Puri:** I would like to know where does this question of damages really come in and then I could meet it?

**Sir Cowasji Jehangir:** There is this clause in the Bill that gives an assurance to the shareholders that their capital will be kept for 25 years. If you change that, you do some damage to the shareholders and, therefore, the State must compensate the shareholders.

**Mr. B. R. Puri:** If you will just let the question . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member can reply to the arguments if he gets a chance later on.

**Sir Cowasji Jehangir:** I still repeat that the only point is whether the State should have that moral right within 25 years or within 15 years. The legal right it always has. I would personally prefer 25 years, because it gives a fair chance to the Bank to get on its feet. And, in 25 years time from now, many of the constitutional problems that loom large on the horizon that are always present in our minds will, I am certain, not exist and most probably our successors will be discussing totally different issues to what we are discussing today. Therefore, I do appeal to my Honourable friend, Mr. Bhuput Sing, that if he gets the assurance and if it is clearly understood that the State has got the right after 25 years, if it so chooses, to buy up all the shares under the provisions of the Bill as it stands, he will withdraw his amendment.

**The Honourable Sir Brojendra Mitter** (Law Member): May I explain the position?

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member ought to finish his speech and then the Honourable the Law Member can explain the legal position.

**Sir Cowasji Jehangir:** Then, I will appeal to the Honourable the Law Member to clear up this position whether the State, according to the provisions of the Bill as it stands, cannot amend the Act so as to buy up all the shares, paying the shareholders such compensation as may be justifiable. I can see the point that the Honourable the Finance Member is troubled over. There is no provision in the Bill that 25 per cent. should be paid to the shareholders out of the profits if the State buys up all the shares. There is no provision of that sort. I think such a provision might be included and it might well come from Government. If that is so and that was the understanding as far as I remember—at any rate that was my impression—in the Select Committee that the State should have the right to buy up the shares after 25 years, then the Government can bring an amendment to that effect. Clause 1, sub-clause (4), is provided for that. I do admit now that we did not provide for compensation.

**The Honourable Sir George Schuster:** I think my Honourable friend is perhaps introducing a certain amount of confusion by talking about buying up the shares. That might be one rather special method of terminating the Bank's charter. In fact, it would not be the normal way. If the Bank is given its life of 25 years and if its charter is then terminated, that means normally that the Government would take over the business of the Bank, not that it would buy the shares from the shareholders. The Bank would cease to carry out its functions and would go into liquidation and in that case, the provisions of clause 56 would apply. I think my Honourable friend is perhaps making the case more difficult by contemplating it in terms of the Government buying up the shares.

**Sir Cowasji Jehangir:** Would the Honourable Member inform the House as to what is contemplated after 25 years under the Bill? Would the Honourable Member say what the expression "thereafter until repealed" means? I think it means that if Government do desire a change, they can do so after 25 years. It will go on as it is until it is repealed and that the repeal should not come for 25 years. That is the assurance you give under the Act, whatever your rights may be.

**The Honourable Sir George Schuster:** If the Act is repealed, then the consequence would not be the buying of the shares by the Government but the taking over of the whole Bank's business on liquidation of the Bank.

**Sir Cowasji Jehangir:** What becomes of the shareholders? How are they compensated?

**The Honourable Sir George Schuster:** According to the provisions of clause 56.

**Sir Cowasji Jehangir:** Clause 56, according to the Honourable the Finance Member, would apply to conditions when Government take over the management of the Bank for other reasons at any time.

**The Honourable Sir George Schuster:** On liquidation.

**Sir Cowasji Jehangir:** Under those circumstances, it is more than possible with the assurance given by the Honourable the Law Member that the House would be prepared to accept 25 years and I think the Bill, as it stands, would perhaps serve our purpose and no amendment may be necessary.

**Mr. S. C. Mitra:** Make it 15 years everywhere.

**Mr. President (The Honourable Sir Shanmukham Chetty):** The Honourable Member ought to make up his mind whether to conclude his speech or not.

**Sir Cowasji Jehangir:** I have concluded.

**The Honourable Sir Brojendra Mitter:** Sir, clause 56 of the Bill refers to liquidation and that has nothing to do with termination under sub-clause (4) of clause 1 which says:

"This Act shall remain in force for a period of 25 years and thereafter until repealed."

[Sir Brojendra Mitter.]

Clause 56 is operative only during the currency of the Act. The Act goes on if it is not repealed after 25 years. But you cannot tie the hands of the Legislature by a clause like this. The Legislature can, at any moment, repeal this Act, amend it or make or not make any provision for compensation. The Legislature is supreme in that matter. When the Act says that it goes on for 25 years and thereafter until repealed, really this has no legal significance; it is a mere expectation. It goes on for ever until amended or repealed. The clause does not in anyway limit the power of the Legislature to amend the Act or to repeal it at any time within 25 years. I think the confusion arose by introducing the liquidation clause into this discussion. The liquidation clause is operative when the Bank is going on under the Act and when the Governor General in Council by order directs liquidation; then and then only clause 56 comes into operation. As regards compensation, which my Honourable friend, Sir Cowasji Jehangir, referred to, supposing at any time the Legislature wants to amend this Act, and supposing the Legislature says that the State should take over from the shareholders and buy up their shares, it will be for the Legislature to say whether, in fairness to the shareholders, compensation should not be paid to them. The Government cannot give any assurance on this matter. That is entirely in the hands of the Legislature.

**Sir Cowasji Jehangir:** May I ask the Honourable the Law Member whether the significance of sub-clause (4) of clause 1 is not at least a moral assurance?

**The Honourable Sir Brojendra Mitter:** It is the expectation that it should go on for 25 years and thereafter if not repealed. I repeat that it does not limit the powers of the Legislature to step in at any time within the 25 years.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Does the Chair understand the Honourable Member to say that clause 56 regarding liquidation will come into operation only if there is a specific order of the Governor General in Council that such a liquidation be made and the proviso defining the shares of the shareholders in the Reserve Bank will come into operation only in such a case?

**The Honourable Sir Brojendra Mitter:** Yes, Sir.

**Mr. President** (The Honourable Sir Shanmukham Chetty): If that is so, what happens after 25 years? If, after 25 years, the Act is repealed and the Governor General does not notify any liquidation, what happens to the assets of the Bank?

**The Honourable Sir Brojendra Mitter:** It will be for the Legislature to say, because clause 56 cannot be operative if the Act is repealed. It can come into operation only when the Governor General in Council makes an order under the Act; if the Act is repealed, clause 56 goes with it, and then it is for the Legislature to substitute anything in its place, with or without compensation.

**Mr. S. C. Mitra:** I support the amendment of my Honourable friend, Mr. Bhuput Sing, and hope that my Honourable friend, Mr. Raju, will

not press his amendment. I have made it clear that I believe in a State Bank and I further believe that, in course of time, the Government as well as those who oppose us today would feel that a shareholders scheme will not function as they expect it to. I know that this Legislature is the supreme Legislature in the country and that it has got power to repeal or to amend any of its provisions but unless there is a clause like the amendment proposed, the question will arise about compensation as was put by Sir Cowasji Jehangir. If there is no such clause, I admit, Sir, as you have said, that this House can always repeal this Act or change it into a State Bank, and questions will then arise that the shareholders were not appraised of that fact and that they may demand compensation. So, we, on this side, would like that there should be a specific provision in the Statute itself that if it is found afterwards that the Shareholders Bank is not functioning and is replaced by a State Bank, there will be no difficulty.

As regards the amendment of my Honourable friend, Mr. Raju, I agree with him that his amendment is the more logical, and if we follow the precedents of other countries which my Honourable friend, Mr. Bhuput Sing, enunciated we will find that nowhere perhaps is there any time-limit. Yet I appeal to my Honourable friend, Mr. Raju, not to press his motion, because of the peculiar conditions in India. We should like to give sufficient time to this Reserve Bank, even as a Shareholders Bank, to make experiment, so that it may not be said that it has not been tried for a sufficient period of time. Then there is an agreement,—a subsidiary agreement with the Imperial Bank for a period of 20 years. We on this side are attempting to bring it down to 15 years, making 10 years certain and five years notice, in which we will get the support even of my Leader, Sir Cowasji Jehangir. That is an additional ground that the period for a shareholders scheme should be certain for 15 years, after which there will be the option for the Government to buy up its shares. Sir, many Honourable Members, who argue from the opposite standpoint, forget that it is really an optional clause, and why should they not have confidence in Government? Since yesterday we have been feeling that the officials have become traitors and that they do not support a State Bank, and when we support a State Bank, they vote against it. We have confidence in the present officials and also in the officials of the future. This is an optional clause that if the State of the day feels that the Bank is not being conducted in a proper way, then it will exercise its option. It has been truly said by the Raja Bahadur that, under clause 90, there is a provision for stepping in in case of emergency. But what I urge is that with a provision like this we may not go to the extreme length of superseding the whole Bank and thus creating a very critical situation in India. In clause 90, it is provided that, under certain contingencies, the Bank should be altogether superseded and wound up and the Legislature for the time being will be called upon to think of another scheme. But, I think, if we accept this provision, there is another alternative way by which instead of going to the extreme step of putting the whole country's finances into jeopardy, Government may think it worth their while to buy up shares. So really this provision only gives to the country and the Legislature the power to review the whole situation about the State Bank, and, instead of waiting till the end of 25 years, we get an earlier opportunity to revise our position.

[Mr. S. C. Mitra.]

I must say just a word about the opinion in the country as regards a State Bank. I accept my Leader's statement that in the Bombay Presidency there is a vast majority in favour of a shareholders scheme; but, I may say, without fear of contradiction, that in the rest of the country, outside the Bombay Presidency, the majority are for a State Bank. So, later on, if the country and the Legislature and the Government feel that the shareholders scheme has failed, Government may step in and this clause will help in that direction. Sir, I support the amendment of my friend, Mr. Bhuput Sing.

**Mr. T. N. Ramakrishna Reddi** (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): Sir, Sir Cowasji Jehangir seems to have been scared away by the fact that under sub-clause (4) of clause 1, the Act shall remain in force for a period of 25 years and that, if we accept this amendment giving option to Government to purchase the shares after 15 years, then we may have to pay compensation to the shareholders, and, so, many complications would arise. But, Sir, we have not yet disposed of clause 1 which will come latterly and, so, if the House agrees to give option to the Government to purchase shares after 15 years, there is no harm in subsequently amending this sub-clause (4) of clause 1 and say that this Act shall remain in force for 15 years, etc. Further, Sir, sub-clause (4) of clause 1 does not say that the Bank should come to an end automatically after a definite period. It may continue even beyond that period unless it is repealed and so there is absolutely no difficulty in regard to this matter. And everything depends upon us whether we accept 15 years and agree to give option to Government to purchase the shares after the lapse of 15 years. But, even supposing we do not amend sub-clause (4) of clause 1 and allow the Act to remain in force for 25 years, if we accept this present amendment we need not pay compensation to the shareholders, because the shareholders purchase their shares with their eyes open to the amended clause and hence we are not required to pay any compensation to them at all. Further, the figure of 25 years is not sacrosanct. A period of 15 years is quite enough for us to see whether a Shareholders Bank will work successfully. It is quite a long period and, after the end of 15 years, the option is given to Government to purchase the shares if it is proved at the end of that period that a Shareholders Bank does not work properly. Hence I have pleasure in supporting the amendment of my friend, Mr. Bhuput Sing.

**Mr. S. C. Sen** (Bengal National Chamber of Commerce: Indian Commerce): Sir, I have been listening to the debate all this time, but I am afraid I have not understood the meaning of this proposed amendment. The amendment is that Government will be in a position to purchase all the shares after 15 years, but what would be the result of purchasing these shares after 15 years? Will the Bank continue as settled in this Bill or will it cease to function as a Reserve Bank and as a Shareholders Bank? I say, it must cease to function as a Shareholders Bank. Under the ordinary company law, if in a company all the shares are purchased by one person or when the number of shareholders becomes less than seven, the company *ipso facto* goes into liquidation and ceases to exist. This Bank, of course, will be a statutory company and I do not know what will be the position when all the shares are purchased by Government for its own purposes. The provisions contained in this Bill cannot then operate. But it is

said that, under sub-clause (4) of clause 1, there is a guarantee by Government that the Bank shall continue for 25 years and thereafter. I say, there is no guarantee, *nothing* of the kind. Section 56, which has been referred to by the Honourable the Law Member, shows conclusively that the Government can, if they like supersede the Bank or wind it up at any time they like. There is no time-limit given there. Therefore, to say that 25 years is the minimum time for which the Bank should exist is a myth.

**The Honourable Sir Brojendra Mitter:** It is a mere expectation.

**Mr. S. C. Sen:** I would not say even that much. It is a surplusage, because, as the Law Member has put it, you cannot bind the Legislature to tie up their hands for a particular period and not to act if they like to do so. In these circumstances, I do not understand the object of this amendment. If the Government have power under clause 56 to wind up the company at any time they like, what is the object of having an amendment which is to be on clause 4? In these circumstances, I oppose the amendment.

**Mr. Gaya Prasad Singh:** Sir, I rise to support this amendment. I am not wedded to the exact wording of it which may be open to certain deficiencies as pointed out by my Honourable friend, Sir Cowasji Jehangir, but so long as the intention is clear, giving option to the State to purchase the shares of the Bank after a specified period, I for one would like to support it.

Sir, I have neither the desire nor the capacity to follow my Honourable friend, Dr. Ziauddin, in his mathematical conundrums which he placed before us, and which I leave to my Honourable friend, the Finance Member, to solve for the benefit of the House. I have only to stress that the Bank must start with goodwill on both sides, and with confidence. In this connection, I would refer to the speech of my Honourable friend, the Finance Member, which he delivered on the 14th September, 1933, in which he said that the Bank "must become a trusted part of Indian public life", and that "it must be an Indian institution commanding the confidence of Indian opinion, otherwise the whole purpose of the proposal would be lost". Now, Sir, if my Honourable friend stands up and opposes a reasonable suggestion like the one embodied in the amendment in question, will he not be laying himself open to the charge that he is imbued with a distrust of the future

1 P.M. of the power which this amendment seeks to confer upon the Government of the country? Why is it that my friend fights shy of the power which this amendment seeks to confer upon the Government after 15 years, to purchase the shares under whatever conditions it may be proper for us to lay down? Reference has been made to clause 30 of the Bill. Clause 30 of the Bill refers to the powers of the Governor General in Council to supersede the Central Board, and the condition laid down is that, if, in the opinion of the Governor General in Council, the Bank fails to carry out any of the obligations imposed upon it by or under this Act, he may, by notification, declare the Central Board to be superseded. We can envisage circumstances in which this Bank might not have gone beyond the terms laid down in any of the clauses of this Bill; but, at the same time, it would have acted in a way which is harmful to the interests of the country: for instance by the manipulation of the currency and credit policy. Under these circumstances, although not strictly speaking contravening any of the provisions of this Act, it might be necessary for the State, after 15 years, to buy up the shares and convert

[Mr. Gaya Prasad Singh.]

it into a State Bank. So, by opposing this amendment, the Government are only betraying a distrust of the future Government of the country after 15 years.

Reference has been made to clause 1 (4) which says that this Act shall remain in force for a period of 25 years and thereafter until repealed. What is the meaning of this sub-clause? If, as it has been claimed, it is the inherent right of this Legislature to bring in an amending Bill at any time within the period . . . .

**The Honourable Sir Brojendra Mitter:** This word "inherent" has a very unsavoury association in this House; the right is not inherent: it is an express right of the Legislature.

**Mr. Gaya Prasad Singh:** If it is the express right of this House at any future time, irrespective of the period, to bring in an amending Bill, sub-clause (4) of clause 1 becomes superfluous: then, what was the necessity for putting it here? Every Act remains in force until it is repealed . . . .

**Raja Bahadur G. Krishnamachariar:** You put it, because you agreed in the Select Committee.

**Mr. Gaya Prasad Singh:** I am very glad, my friend, Raja Bahadur Krishnamachariar, has made reference to the Select Committee, and, without betraying any secret or going into the details of what transpired there, I might say that it was put forward, as a reason for retaining this sub-clause, that the shareholders must have some sort of guarantee that the Bank should remain a Shareholders Bank at least for 25 years. If that is not so, I would still ask my friend, the Finance Member, to agree to the deletion of this clause altogether. Why should the shareholders stand in need of any sort of guarantee if it is the express right of the Legislature to bring in amending legislation at any future date? With regard to this express right of the Legislature to bring in an amending Bill at any future date, I might refer to the evidence of Sir Samuel Hoare, the Secretary of State, which says that, for certain purposes, no amendment of the Reserve Bank Bill can be taken in hand without the consent of the Parliament or of the Secretary of State or the Governor General at his discretion. It was a point which we raised in the Select Committee and to which no satisfactory reply even up till now has been vouchsafed by the Government. Therefore, it is a misnomer to say that this House has the express right to bring in amending legislation at any time . . . .

**The Honourable Sir Brojendra Mitter:** May I interpose for a minute? I said, this House had the express right. But, before the House can exercise its right, it must have a measure before it. The previous sanction of the Governor General deals with a Member's right to bring a measure before this House. Once a measure is before the House, the House is supreme. That is the express right of the Legislature. My friend was confusing that right with the right of a Member in bringing a matter before the House without the removal of the bar of the Governor General's sanction. There is that distinction.

**Mr. Gaya Prasad Singh:** This House consists of the Government and non-official Members: do I understand that a private Member is debarred from bringing in an amending Bill without the sanction of the Governor General?

**Mr. President** (The Honourable Sir Shanmukham Chetty): Where, according to the Government of India Act, the previous sanction of the Governor General is required for any amendment, that sanction must be obtained whether the amendment is introduced by a non-official Member or by a Member of the Government.

**Mr. Gaya Prasad Singh**: That is just my point: that the previous sanction of the Governor General is necessary for bringing in an amendment of this Bill in this House under the Government of India Act.

Now, it appears from the evidence of the Secretary of State that the "Governor General" in some matters, under that Adaptation clause, will mean "Governor General at his discretion" which might mean the "Governor General as dictated to by the Secretary of State or even by the British Cabinet". This is the question which cropped up in the Select Committee and this is the question which we were discussing the other day; and I, as well as other Members, have been repeatedly asking Government to categorically deny the position; but they have not done so. That results in deepening the confusion in our minds: we are getting suspicious, because the Government do not say that it is the express right of the Legislature to bring in an amending Bill; therefore, it becomes necessary . . .

**The Honourable Sir Brojendra Mitter**: The Legislature does not bring in any Bill: a Member has to do it. My friend will not understand the distinction between Members' rights and the rights of the Legislature. That is the unfortunate part of it.

**Mr. Gaya Prasad Singh**: My friend is making too much of a legal quibble in which he is an expert. The question is very plain: an amendment to this Bill can be brought forward only by a Member, not by the Legislature as a whole, whether that Member is a Government Member or a non-official Member. No amendment can be moved or brought forward either by an official Member or a non-official Member without the sanction of the Governor General. This is just what I am saying: then, what is the use of my friend standing up every time and indulging in this legal quibbling? I will invite him to give us the benefit of his wisdom in clearing up this position, a position which has been created by the evidence of the Secretary of State. If he has anything profitable to contribute to the debate, we shall really be very thankful to him; but under the present circumstances as our suspicion has not been removed, I think there should be something in this Bill to give power to the State to purchase the shares, and this is what the amendment seeks to achieve. Therefore, the substance of the amendment is one which will meet with the approval of this side of the House, and, in view of the explanation which has been given by my Honourable friend, the Law Member, I do not think there should be any difficulty in clearing the position by agreeing to this amendment being inserted in the Bill with whatever suitable verbal changes it may be necessary to make. With these few words, I support this amendment.

**Mr. B. Das** (Orissa Division: Non-Muhammadan): Sir, the hidden claws and cloven hoofs of capitalism stood revealed stark naked when the Leader of the Opposition stood up for the shareholders' interest and I thought that these last seven or eight days he was standing for the national interest and that he expounded the proposition that a Shareholders Bank was the best thing that could give the nation a National Bank. Sir, in the Select Committee and outside it, this problem always came up,—how is the interest of the shareholders going to be safeguarded? The Leader of the

[Mr. B. Das.]

Opposition forgets that the Reserve Bank is not meant nor is it designed only to satisfy the interest of capitalists of Bombay or Calcutta, and the wordy dialogues that went on makes me wonder whether we are handing over something to the Bombay Stock Exchange that they would go on profiteering by taking up the share value from Rs. 100 to Rs. 1,000, and then gradually bringing it down to Rs. 50 and profiteer on and on, just as they did when the Scindia Steam Navigation Company was floated in 1918, when not only the Bombay Presidency, but the whole of India collapsed, and the poor people lost millions of their money. That is not our intention in the present case. Our intention is to provide a national Reserve Bank, and if the House has accepted a Shareholders Bank, I bow to the wisdom of the House,—thanks to the able support that was given by my friends, Sir Cowasji Jehangir, Mr. Ranga Iyer and my friend, Diwan Bahadur Ramaswami Mudaliar—I have bowed to the inevitable decision that there should be a Shareholders Bank, and today to come and ask us—“how do you safeguard the interest of the shareholders” forgetting that we are placing on behalf of the State huge credits which will all go to foster the capitalistic interest of the Directors of the Reserve Bank. And my friend, the Leader of the Opposition, today is so anxious that the shareholders must profit, and the shareholder,—if I can talk of the ordinary shareholder,—and I hope I shall be one unless my Honourable friend, the Finance Member, or the Central Board by some process should exclude me from becoming one,—I do not think he or anybody will do that,—although we have removed that particular clause from the Bill where there was a provision that the Central Board should have the right to exclude particular people from becoming shareholders. . . . .

**Sir Cowasji Jehangir:** Do you want to be a shareholder? If you are hoping to be a shareholder, you surely want to provide that in case of liquidation you will get your profit and an equitable share of the profits. You do want that. That is what I maintained.

**Mr. B. Das:** Sir, I want to get the legitimate value of my share, and for that provision has been made in clause 56, and, when in the Select Committee, we discussed clause 30, we provided. . . . .

**Sir Cowasji Jehangir:** Then I can only say that there is no difference of opinion between us.

**Mr. B. Das:** Yes, that is so; but my friend is so anxious that the shareholders should profiteer. I would point out that the shareholder will have his shares as gilt-edged securities and not to make profits as friends from Bombay will do. That is why I object that the plutocrats of Bombay and Calcutta should be Directors of this Shareholders Bank. Even if this House creates a Reserve Bank, and the Government acquire it 100 years hence, the shareholders will not get more than 25 per cent of the share value as premium as has been provided in clause 56. Therefore, it is no use our arguing what profit the shareholders will make 15 years hence. Well, he will get 15 per cent. of the share value in addition to the face value of his shares and the Governor General in Council has been provided with that power; but if my friends will then demand from the Government the share value of the shares which the Bombay Stock Exchange will raise up, as they always do, then my Honourable friend will be disillusioned. I may add that we had discussed the amendment of my friend, Mr. Bhuput

Sing, and I wish to support it, though sentimentally, for it is of academic value only. Knowing the Government mentality, I was not anxious to raise a debate, but since my Honourable friend, the Leader of the Opposition, has brought forward arguments in the interest of shareholders, I have no alternative but to support the motion of my friend, Mr. Bhuput Sing, which is only of academic interest.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

**Mr. C. S. Ranga Iyer** (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): Sir, it is, I think, necessary to say a few words in view of the observations that have fallen from the lips of certain Members of my Party. My Party has left these and other matters, as must be evident to the House, as an open question. I consider that it is but natural that those who do not believe in a shareholders' scheme,—it is even fair from their point of view,—that they should approach this question with some diffidence. This amendment is the result of despondency. They believe that the Bank based on a shareholders' scheme is going to break down. They do not think it will be a success that we hope it will be. The supporters of a shareholders' scheme, who agree to this particular clause which embodies our expectation that it will work successfully for 25 years, want to create as far as possible an atmosphere of confidence and goodwill.

My Honourable friend, Mr. B. Das, has interminable suspicion of the plutocrats of Bombay and Calcutta, as he put it. Probably plutocracy has no place in his own new province of Orissa. . . . .

**Mr. B. Das:** It is all democracy.

**Mr. C. S. Ranga Iyer:** He who is so suspicious has naturally been swept away by the arguments of Sir Cowasji Jehangir who, however, may not accept the appellation that he is an embodiment in himself of plutocracy. (Laughter.) Surely, a Member so experienced as the Member from Orissa happens to be, so intelligent, as he always contributes in these controversies a good bit of original wisdom,—one who is so careful that other people should not call him inconsistent or accuse him of changing his mind on trivial grounds, ought to have taken care not to say to this House that he was going to support an amendment which was only, as he put it, of academic interest. Surely, if this amendment has only an academic value—and here I am certain my more serious-minded friend, Mr. Bhuput Sing, will not agree with Mr. Das—he at any rate should not have supported this amendment. I do not think that to Mr. Bhuput Singh and Mr. Gaya Prasad Singh and other opponents of the shareholders' scheme, this amendment has an academic value only. As Mr. S. C. Mitra truly said, this is rooted in their apprehensions. I can understand that point of view. Once you start with an apprehension it is just like going down a steep incline. I do not start with any apprehension.

No Central Bank in the world—and this perhaps even Mr. Neogy who reads the editorials of newspapers all over India will not dispute—is

[Mr. C. S. Ranga Iyer.]

started as a temporary proposition. Every Central Bank in every part of the world is started as a permanent institution. Sir, the present Central Bank I conceive will not like to give up its life after 25 years, though at the end of that period it may be open to this House to raise the question as to whether it should renew its charter or otherwise though in the Constitution it is contemplated as a permanent institution. Sir, I was told yesterday that each and every Indian edited newspaper, though I do not take my lead from newspapers, is opposed to a Central Bank of a shareholder kind. It is likely that such argument may be repeated also today, for once an ill-informed argument is not contradicted, it continues. Sir, a newspaper which publishes every week a picture of the Leader of the Democratic Party, which is an Indian-edited paper, is opposed to a State Bank, at any rate it supported repeatedly a Shareholders Bank. My Honourable friend, Sir Cowasji Jehangir, the Leader of the Opposition, naturally enquires which paper. That paper is named after that great man who was the political providence of the Leader of the Democratic Party, the maker of his future and whose agency faithfully and loyally reports every word uttered by Mr. Neogy in this House as if he is the only representative of democracy. (*An Honourable Member*: "The name is not still given.") *Roy's Weekly*. Another newspaper, if I should give the name of that newspaper, is *Hitavada* of Nagpur, another Indian-edited newspaper.

**Mr. B. Das:** Loyalist paper.

**Mr. C. S. Ranga Iyer:** When it supports Mr. B. Das, it is disloyalist; when it supports me, it is loyalist! It has given a cautious but reasoned support to a shareholders' scheme, and, if Mr. Das has any doubt about it, he can go to the Library and read the newspaper article.

**Mr. B. Das:** I never read that newspaper.

**Mr. C. S. Ranga Iyer:** However, *Hitavada*, in a long leading article on the Reserve Bank Bill says:

"If the Members of the Assembly are out to wreck the scheme on this plea, the alternative . . .".

It does not want them to wreck the Bill:

"The attack against a Shareholders Bank is not very convincing. . .".

I have made a present of that paper to my friend, the Honourable Member from Aligarh, and I am sure he will find a good deal of caution exercised in that newspaper when it finally asks the Members of this Legislature to support a Shareholders Bank. I would, therefore, advise Honourable gentlemen not to pursue further this rather pessimistic view which they have been placing before us. I would also tell them that the actual experience of calamity is less fearful than a distant prospect of it. Mr. Sen pointed out in his usually reasoned way that the minimum of 25 years is a myth. Whenever a minimum time is mentioned, in the light of the observations made by the Honourable the Leader of the House, in the light of the lead that he gave from his profound legal knowledge, when it is discovered on this side of the House that the right of the Legislature is not taken away, I do not see what we gain by saying after 14 years and one more year, you shall rake up this controversy and if possible break up a shareholders' scheme. That is not the way to start

a Reserve Bank in an atmosphere of goodwill and confidence. Mr. Gaya Prasad Singh said "start it in an atmosphere of goodwill and confidence" and then spoke of "betraying the trust of the future Government of the country". I was only going to say why betray the trust of the people, who are to govern this country or at any rate the people who would like to be shareholders of a Central Bank.

Sir, I have only one word more and that is Mr. Gaya Prasad's apprehensions again arising from the light that the Honourable the Leader of the House shed on this House. He was almost Oscar Wildian in his expression: "to be intelligible is to be found out". Well, Sir, the Honourable the Leader of the House was not only intelligible but also intelligent.

**The Honourable Sir George Schuster:** Sir, I think this has been a rather curious discussion. If I may say so, the amendment itself would seem to me to make the matter look rather more simple than it really is, and perhaps the debate has tended to introduce unnecessary complications. I do not suppose that any one will expect me to deal seriously with the hypothetical complications raised by my Honourable friend Dr. Ziauddin Ahmad. I think we can congratulate ourselves that we, who have not such vivid imaginations, can go through life without seeing all the dangers that my Honourable friend, with his acute intelligence, perceives; but if it would be of any use to my Honourable friend, I would like to offer him a post in which he will be fully able to exercise his capacities. The post which I have to offer him is that of hypothetical minister at the head of a hypothetical Finance Department for dealing with hypothetical problems in a hypothetical India. (Laughter.)

**Mr. President** (The Honourable Sir Shanmukham Chetty): With a hypothetical salary? (Laughter.)

**The Honourable Sir George Schuster:** I am very glad you raised that point. The salary would be entirely hypothetical. (Laughter.) Sir, my Honourable friend complained that we never supported our case when we made proposals from the Finance Department by scientific argument. I have long known that the best support for any proposal which we have to put forward is the extremely scientific argument which my Honourable friend generally adds to any debate on the subject. But turning to the matter which is really relevant to our discussion—and I think my Honourable friend will agree that his own suggestions were not entirely relevant to this particular motion—what is the real position? By this Bill we are proposing to create a Bank with an expectation of a minimum life of 25 years. On the other hand, the Legislature can amend that Bill at any time. That has been made clear this morning. Nevertheless, if it were to do so, it would be contrary to the original intention with which we are proposing to set up this Bank. Now, I think this amendment may, in its simplest sense, be regarded as an attempt to go behind that intention, the intention of setting up a Bank with an expectation of a minimum of 25 years life, and, in another sense, I think it goes even further. It is an attempt somehow to get behind the spirit of yesterday's decision. My main objection to this amendment is based on the ground just taken by my Honourable friend, Mr. Ranga Iyer. If we have decided to set up a Shareholders Bank, let us set up that Shareholders Bank in a spirit of confidence and give it a fair chance of success. If we give

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it too short a life or if we indicate that the life which we are giving it may be shortened by the exercise of some overriding right of purchase, we shall not be showing adequate confidence in the success of the Bank and we will not give the Bank a fair chance at the start. My Honourable friend has quoted the cases of the charter of the Austrian Central Bank and the Czecho-Slovakian Central Bank as affording precedents for provisions of this kind; but I have examined those cases very carefully and I find that there is not in fact any precedent for the existence of a right of this kind which overrides the charter which is given to the Bank. In each of the cases quoted the Government can take over the business of the Bank by acquiring its shares if it so desires; but that is only on the termination of the charter, either at the expiry of its normal period or on its termination for other reasons. In neither case is there hanging over the life given to the Bank under its charter this right of the Government to step in and acquire the shares on compulsory terms; so that I think my Honourable friend is not strictly correct in quoting those two cases as precedents. That, if I may say so, is the simple ground; but I can hardly fail to have an idea in my mind, particularly after what my Honourable friend, Mr. Gaya Prasad Singh, said, that there may be a different purpose in the minds of Honourable Members or some of them who have supported this measure. I think that possibly some of them feel that if a right of this kind exists under which the executive government could acquire the shares at a compulsory price and, therefore, take over the whole business of the Bank, they would in effect be able to change the whole situation without legislation, and, therefore, they would be able to defeat that provision in the Constitution contemplated by the White Paper which would not allow legislation on the Reserve Bank to be introduced without the prior assent of the Governor General. I think that that idea must have been moving in the minds of some of my Honourable friends. Mr. Gaya Prasad Singh is not here, but he asked for a clear answer on that point and said that his suspicions would not be allayed until he received a clear answer. But the position must be absolutely and entirely clear to any one who has read the White Paper. Honourable Members may not like the proposals, but the proposals are absolutely clear, and, if the setting up of a Reserve Bank is to be regarded as an essential part of the constitutional scheme, then that White Paper plan must, so far as we know, stand, and it will be impossible to get behind it by the introduction of an amendment of this kind: But, as a matter of fact, even if this amendment were accepted, it would not be effective for this purpose, because merely taking over the shares in the Bank from the shareholders would not dispose of the question. Legislation would then be necessary. You cannot merely acquire these shares and then allow things to continue as they are. By acquiring the shares—and that I understand at any rate to be the purpose in my Honourable friend's mind—you would terminate the existence of the Bank as a shareholders institution, and legislation would be necessary in order to deal with the situation. When that legislation has to be considered, then the provisions outlined in paragraph 119 of the White Paper come in, and my Honourable friend will find that, at the very best, he would have been able, by this amendment, to create a deadlock. But, Sir, there are still further objections. What has always been in our minds in framing this general plan is this—that if, contrary to our expectations, contrary to the confident expectations which we desire to create, this Bank does

not work, then it will be necessary either to take advantage of the powers existing under clause 30 or, if an actual breach of the agreement has not taken place, to consider amending legislation. One must contemplate that possibility. But if the matter is handled in that way, . . . .

**Mr. Bhuput Sing:** May I ask whether the Governor General has got power, under section 56, to take over the management if they find it necessary?

**The Honourable Sir George Schuster.** Section 56 has nothing to do with the matter, if I may say so. Section 56 merely lays down the provisions governing the liquidation of the Bank. It says that the Bank cannot be put under liquidation except by an order of the Governor General in Council and it then says that on liquidation the rights of the shareholders to share in the assets will be limited in a certain way. I was just developing the argument, when my Honourable friend interrupted me, that if the matter is handled in the way in which we contemplate it, that is to say, that either the Bank should be superseded owing to a breach of contract under clause 30, or if the situation developed in such a way that amending legislation would be necessary, then the matter must be brought before the Legislature and the Legislature will have the chance of settling how it is to be handled in the future. But if my Honourable friend's amendment was accepted, although I understand that his purpose is that the Government, having acquired those shares, should themselves handle the business in the future in the form of a State Bank, nevertheless it would be quite open to the executive to handle the matter in a quite different way. This, I admit, is a hypothetical supposition, but it is quite a possible supposition, that the Government might take over those shares and then the Government of the day might go to my Honourable friend, Sir Cowasji Jehangir, and say: "These shares are worth in the market 125 today. You can have shares to the value of two crores or so at Rs. 100 as long as you stick to them and exercise your powers in a way which will suit the Government. You will be the only shareholder on the Bombay register." It might then go with another crore's worth of shares to my Honourable friend, the Raja Bahadur, and ask him to accept the same proposition as regards the Madras register (Hear, hear), and so on. Now, that is not an entirely absurd case. It illustrates the insufficiency of my Honourable friend's proposal. He has thought over the matter to the extent of the Government buying up the shares, but he has not thought of the consequences of that at all. Government, it is true, might say, "having bought up these shares, let us proceed to carry on the business by means of a State Bank"; but they would not be able to do so without legislation, and I suggest that the whole contingency, which is in my Honourable friend's mind, is much better provided for under the provisions of the Bill as it is drafted. The only effect of my Honourable friend's motion will be to create a lack of confidence at the outset in the Bank's future and to indicate that we who are sponsoring it—and when I say "we" I mean not merely the Government, but the majority of this House supporting us—have not any real confidence in its success. Sir, I would put it to the House that that would be an unfortunate impression to create, and that, as the practical effects of my Honourable friend's amendment are, on the grounds I have stated, non-existent, it would be far better for the House to reject this motion. (Applause.)

**Mr. President** (The Honourable Sir Shanmukham Chetty): The  
3 P. M. question is:

"That at the end of sub-clause (1) of clause 4 of the Bill the following be inserted :  
‘but the Government shall have the right to buy up all shares of the Bank at  
any time after the lapse of fifteen years from the date of opening of the Bank’."

The Assembly divided :

**AYES—24.**

Abdul Maajin Chaudhury, Mr.  
Azhar Ali, Mr. Muhammad.  
Ba Maung, U  
Badi-uz-Zaman, Maulvi.  
Bhuput Sing, Mr.  
Das, Mr. B.  
Jog, Mr. S. G.  
Lahiri Chaudhury, Mr. D. K.  
Lalchand Navalrai, Mr.  
Mahapatra, Mr. Sitakanta.  
Maswood Ahmad, Mr. M.  
Mitra, Mr. S. C.

Murtuza Saheb Bahadur, Maulvi  
Sayyid.  
Neogy, Mr. K. C.  
Pandya, Mr. Vidya Sagar.  
Patil, Rao Bahadur B. L.  
Puri, Mr. B. R.  
Reddi, Mr. P. G.  
Reddi, Mr. T. N. Ramakrishna.  
Roy, Kumar G. R.  
Sant Singh, Sardar.  
Shafee Daoodi, Maulvi Muhammad.  
Sitaramaraja, Mr. B.  
Ziauddin Ahmad, Dr.

**NOES—70.**

Abdul Aziz, Khan Bahadur Mian.  
Ahmad Nawaz Khan, Major Nawab.  
Allah Baksh Khan Tiwana, Khan  
Bahadur Malik.  
Anklesaria, Mr. N. N.  
Anwar-ul-Azim, Mr. Muhammad.  
Ayangar, Mr. V. K. A. Aravamudha.  
Bagla, Lala Rameshwar Prasad.  
Bajpai, Mr. G. S.  
Bhore, The Honourable Sir Joseph.  
Bower, Mr. E. H. M.  
Brij Kishore, Rai Bahadur Lala.  
Chatarji, Mr. J. M.  
Clow, Mr. A. G.  
Cox, Mr. A. R.  
Dalal, Dr. R. D.  
Dash, Mr. A. J.  
DeSouza, Dr. F. X.  
Dillon, Mr. W.  
Fazal Haq Piracha, Khan Sahib  
Shaikh.  
Graham, Sir Lancelot.  
Grantham, Mr. S. G.  
Haig, The Honourable Sir Harry.  
Hezlett, Mr. J.  
Hoon, Mr. A.  
Hudson, Sir Leslie.  
Ishwarsingji, Nawab Naharsingji.  
Ismail Ali Khan, Kunwar Hajee.  
Ismail Khan, Haji Chaudhury  
Muhammad.  
James, Mr. F. E.  
Jawahar Singh, Sardar Bahadur  
Sardar.  
Jehangir, Sir Cowasji.  
Krishnachariar, Raja Bahadur G.  
Lee, Mr. D. J. N.  
Mackenzie, Mr. R. T. H.  
Macmillan, Mr. A. M.

Metcalfe, Mr. H. A. F.  
Miller, Mr. E. S.  
Milligan, Mr. J. A.  
Mitter, The Honourable Sir Brojendra.  
Morgan, Mr. G.  
Mujumdar, Sardar G. N.  
Mukherjee, Rai Bahadur S. C.  
Nihal Singh, Sardar.  
Noyce, The Honourable Sir Frank.  
O’Sullivan, Mr. D. N.  
Pandit, Rao Bahadur S. R.  
Puri, Mr. Goswami M. R.  
Rafisuddin Ahmad, Khan Bahadur  
Maulvi.  
Raghbir Singh, Rai Bahadur Kunwar.  
Raismann, Mr. A.  
Rajah, Rao Bahadur M. C.  
Ramakrishna, Mr. V.  
Ranga Iyer, Mr. C. S.  
Ran, Mr. P. R.  
Sarma, Mr. B. S.  
Schuster, The Honourable Sir George.  
Scott, Mr. J. Ramsay.  
Shah Nawaz, Mian Muhammad.  
Sher Muhammad Khan Gakhar,  
Captain.  
Singh, Kumar Gurteshwar Prasad.  
Singh, Mr. Pradyuman Prashad.  
Sinha, Rai Bahadur Madan Mohan.  
Sloan, Mr. T.  
Smith, Mr. R.  
Studd, Mr. E.  
Suhrawardy, Sir Abdullah-al-Mamun.  
Talib Mehdi Khan, Nawab Major  
Malik.  
Tottenham, Mr. G. R. F.  
Yakub, Sir Muhammad.  
Yamin Khan, Mr. Muhammad

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That to sub-clause (1) of clause 4 of the Bill, the following proviso be added:

'Provided that it shall be competent to the Governor General in Council at any time to purchase the shares at par'."

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The next amendment is No. 25 standing in the name of Mr. Bhuput Sing. A similar amendment stands in the name of Mr. S. C. Mitra, No. 29. Will the Honourable Member move it himself or allow Mr. S. C. Mitra to move it?

**Mr. K. C. Neogy**: May I point out that amendment No. 32 also raises the same issue, only it tries to fix a much lower limit. I should like to know whether it would not be proper to have this amendment moved first. If that were defeated, we might come to the others.

**Mr. President** (The Honourable Sir Shanmukham Chetty): No, when there are different maxima fixed in different amendments, the House cannot have the same discussion over and over again by having different motions. So what the Chair proposes to do is to allow that amendment also to be moved simultaneously and have a discussion together. Amendment No. 25, standing in the name of Mr. Bhuput Sing, is in an amplified form. He wants to add a new sub-clause (1-A). but the Chair thought that amendment No. 29, standing in the name of Mr. S. C. Mitra, was simpler "that no person shall be allowed to have more than 200 shares". So, if Mr. Bhuput Sing will not move his amendment, Mr. Mitra can move his amendment when it is reached.

**Mr. M. Maswood Ahmad**: Sir, I beg to move:

"That in sub-clause (2) of clause 4 of the Bill, after the word 'Madras' the words 'Karachi, Lahore, Cawnpore, Patna' be inserted."

By accepting this amendment the clause will read:

"Separate registers of shareholders shall be maintained at Bombay, Calcutta, Delhi, Madras, Karachi, Lahore, Cawnpore, Patna and Rangoon and a separate issue of shares shall be made in each of the areas served by those registers, as defined in the First Schedule and shares shall be transferable from one register to another."

I admit that on the present occasion specially the soldiers are fighting without a commander, rather the commander is leading the opposite army. They are doing this, because our commanders think that it is in the interests of the country; but we do not agree with them. At the same time, the other trouble for us is that many of the Members are not here.

**The Honourable Sir George Schuster**: I rise to a point of order—I do not know whether it is strictly a point of order—perhaps it is rather a point of convenience. I put it to you, Sir, that it is extremely difficult for the House to consider the amendment of my Honourable friend without knowing what consequential amendment he intends to propose. By increasing the number of share registers, it will be necessary entirely to alter the scheme for the distribution of shares and I would submit to you that

[Sir George Schuster.]

the House cannot really consider this amendment without knowing what connected scheme for the distribution of shares among the various registers goes with it.

**Mr. President** (The Honourable Sir Shanmukham Chetty): What does the Honourable Member suggest?

**The Honourable Sir George Schuster:** If my Honourable friend would inform us what consequential amendments he proposes, then I suggest that the House will have a knowledge of what the implications of these amendments are.

**Mr. Gaya Prasad Singh:** That will depend upon whether this amendment is accepted by the House or not.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair will allow the Honourable Member to move his amendment first and allow an opportunity to this House whether they would like to have additional circles. If the House gives a verdict in the affirmative, then it would be for the House to decide how the shares are to be distributed among the new circles and what consequential amendments are to be made.

**Mr. M. Maswood Ahmad:** It is only for that reason I did not give notice of consequential amendments which I have with me here. If the House does not agree with my amendment, it would be useless to trouble the Assembly office with a long list of amendments and get them printed, because it would show in the list as many as 200 amendments in the name of poor Maswood Ahmad. It is only to avoid waste of time and trouble that I did not give notice of consequential amendments. The Honourable the Finance Member ought to thank me for having saved him the trouble of reading all these amendments, but, instead of that, he comes down upon me, and criticises me.

I will give now certain details to enable the House whether to accept my proposal or not. The main idea underlying my amendment is this. At present there are two seats on the registers in Bombay, Delhi and Calcutta and one for Madras and Rangoon. I think, so far as the Calcutta register is concerned, it will not be possible for any Indian to go to the Directorate. The same will be the case with Rangoon and Madras. Further, Sir, minor provinces like Assam and Bihar and Orissa will always be under the shadow of the major province of Calcutta. There are so many big European firms in Calcutta that they would purchase many shares and the minor provinces will never get a seat on the Directorate. There are only two seats. At the same time I am afraid that Bihar and Orissa and Assam will not get any seat on the local board as well and the same will be the case with the Central Provinces with Bombay.

The other point is, if you want really to help the rural interests, the only course open is to create new registers for Bihar and Orissa and the Central Provinces combined and one register for the United Provinces at Cawnpore and another register for Lahore. In that case only, the agricultural interests will come in. Otherwise, in the registers of Calcutta, Bombay and Madras, only those persons who have interests in commerce and those who are bankers and millowners and millionaires will be returned.

It will also be seen that there are 145 lakhs of rupees for the Calcutta register which means about 29 thousand voters. I think it will really be very difficult for an Indian even to think of standing as a candidate for the local board or for the directorship. It is very difficult to control 29,000 votes and the result will be, as has always happened in the past, a few people will get proxies and get to the Directorate, and they will go on continuing without any change. By dividing this register, as suggested by me, there will be some chance for others to come in. At the same time I have no hesitation in saying that, if Government think that, by creating these registers, the elected element will be more in the Central Board and if the Government want to raise proportionately the nominated element, I have no objection to that. They may increase the nominated element as well if they want to.

Much has been said during the general discussion that some thing should be done for the agriculturists in India who form 95 per cent. of the population. Only five per cent in this country have got interests in commerce.

I say, further, that one more argument will be advanced that there is no currency office or something like that at Patna and so, in the minutes of dissent, I find that some members have proposed that Karachi, Lahore and Cawnpore should have one register, but they have not mentioned Patna. I think there is no harm if new registers are created, because what are these registers for? These registers are only for selling shares and the shareholders will have only to elect members of the local board, and, after that, the whole business of the shareholders finishes. So there is absolutely no harm and no necessity of any particular office at Patna or at any place for having this register. Because if this register is created, my idea is that the Central Provinces, Orissa and Bihar should have one register, one register should be given to the United Provinces. In the same way, to Karachi one register, to Lahore one register for the Punjab. The Delhi register will serve Delhi proper and the centrally administered areas and the States in Rajputana and Central India. The Lahore register will have in that case Kashmir, Punjab and a few States, and the Karachi register will have Sindh, Baluchistan, and the North-West Frontier Province with some States. In this way it will be all right, and I appeal to my friends here who represent U. P. and other provinces that they must consider this question in a calm way and that they must consider whether this amendment is beneficial for their provinces or not. I think Government are not much interested in it and so I hope my friends in the United India and Disunited India Party will utilise their votes in a proper way and will support me.

Sir, I move.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (2) of clause 4 of the Bill, after the word 'Madras' the words 'Karachi, Lahore, Cawnpore, Patna' be inserted."

The Chair has to ask whether Mr. Azhar Ali and Mr. Mitra would like to move the next amendment standing in their name, because the House can then have a comprehensive discussion on both.

**Mr. S. C. Mitra:** I find that I made a mistake and my purpose was to have three more offices and not registers. So I do not like to move my amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Then the discussion will proceed on Mr. Maswood Ahmad's amendment.

**Lala Rameshwar Prasad Bagla** (Cities of the United Provinces: Non-Muhammadan Urban): Sir, I have great pleasure in warmly supporting the amendment of my Honourable friend. The representatives of the interests of Sind and the Punjab in this House will, I have no doubt, look after the claims of their own provinces. I am only concerned at the present moment with regard to the interests of the province to which I belong.

You will remember, Sir, that during the consideration stage of the Bill I expressed surprise that Cawnpore should have been left out from the list of places where registers are to be kept. This House will realise that Cawnpore is the industrial capital of the United Provinces. In commercial importance it is second only to Calcutta or Bombay. I do not think I shall be justified in taking up the time of this Honourable House by trying to tell how very important Cawnpore is from the point of view of trade and commerce. I have heard it said that none of our representatives, either in the London Committee or in the Joint Select Committee, pressed the claim of Cawnpore in this respect. This only shows that those who pretend to look after our interests signally failed in the discharge of their duties to my province. As one, representing in this House the cities of the United Provinces, as a spokesman of the investing classes and as a member of both the Upper India and U. P. Chambers of Commerce in the United Provinces, I shall be failing in my duty if I did not draw the attention of the Honourable the Finance Member to this great omission and, I am sure, that I have only got to invite his attention to this omission to rectify the mistake.

**Mr. Muhammad Yamin Khan**: Sir, my Honourable friend, Mr. Maswood Ahmad, appealed to the Members from the U. P. to support this case, because it concerns that province as he has moved that Cawnpore may also be added to the list for having a separate register. My friend said that Government were not very much concerned in this matter. I say that Government may be interested or not, but as long as it will serve the purpose of the province, no Member from the U. P. will fail to support a question for the benefit of his own province. Members are not pleased with whether Government are pleased or not. The question now is, what do we gain by having a separate register for Cawnpore? The object of the register is that shares may be sold and, wherever it is kept from there, they will send certain Directors on the Central Board. The whole scheme lays down that there will be eight elected Directors and I will ask my friend, Mr. Bagla, how he thinks the U. P. will gain by having a separate register for Cawnpore. If we found that the U. P. would gain by having a separate register, certainly we would give our whole-hearted support. But, out of eight Directors, by having a separate register, what share does he think will come to the U. P.? Out of these eight, two are being given to the Bombay area, two to the Calcutta area and two have been given to the Delhi area. And he wants two to be divided into three shares, one the Delhi area, one the Lahore area and the Cawnpore area.

**Mr. M. Maswood Ahmad**: Then there will be 11 Directors.

**Mr. Muhammad Yamin Khan:** You may have 11 or 11 hundred; but at present the scheme is for eight Directors. Two are given to the Delhi area and this whole area is going to be divided into three parts—Delhi, Lahore and Cawnpore. But two Directors cannot be divided into three areas. There may be people in the U. P. who are well versed in banking and it may happen that the two Directors may come from the U. P. for the whole of Delhi as it stands at present, because I think, at the time of election, there will be no question of the provinces. It will be all one province, Delhi, U. P., Punjab, Kashmir, North-West Frontier, the Punjab States, Gwalior, etc. All this big area is going to send two people only. If we can find two capable persons who can control the Bank, that will be a far wider area to send from these two people rather than narrow down that each area may send only one man. I do not think that it will do any good either to the U. P. or the Punjab to have only one Director each: it is much better if you find two capable persons in a province to send them both: there should be no provincial question in this matter, because no province is gaining and it will be for the good of the people . . .

**Mr. C. S. Ranga Iyer:** It is not a provincial matter: it is an agricultural question.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Mr. Lalchand Navalrai.

**Mr. Lalchand Navalrai** (Sind: Non-Muhammadan Rural): Sir, this morning . . . .

**Mr. Muhammad Yamin Khan:** Sir, I was merely giving way to Mr. Ranga Iyer . . . .

**Mr. Lalchand Navalrai:** He has lost his chance, Sir.

**Mr. C. S. Ranga Iyer:** When the Honourable gentleman said: "Do not make it a provincial question" I rose to interrupt him and say that it was not a provincial question, and wondered why he did not view it from the agricultural point of view, the United Provinces being one of the most agricultural of the Indian provinces and he being an advocate of the agriculturists' cause. Probably, Sir, I was responsible by making my voice low, almost inaudible and, therefore, I apologise for the mistake.

**Mr. Muhammad Yamin Khan:** My friend is perfectly right when he says that the agricultural provinces must have a good voice, and I see occasions might arise sometimes when we may send both the Directors from the United Provinces and the Punjab may be willing to vote for both coming from the United Provinces or *vice versa*: But I do not see how we can do that by simply keeping a separate register. Of course it would be a totally different thing if my friend had asked for a branch to be opened at Cawnpore; there was some kind of justification; and actually there was a difference of opinion when this was discussed . . . .

**Mr. Lalchand Navalrai:** Will you support Karachi? I have asked for a branch.

**Mr. Muhammad Yamin Khan:** We had a motion that Cawnpore should have a branch, and that point was thoroughly discussed in the Joint Select Committee: some supported the case of Cawnpore and Karachi and Lahore; but later on, it was found that branches would not be necessary as long as

[Mr. Muhammad Yamin Khan.]

the Imperial Bank was willing to give all the facilities which a separate branch of the Reserve Bank would give. Under the scheme of the Bill, the Imperial Bank is going to transact the business of the Reserve Bank in places other than the five where the Reserve Bank will have branches and the Imperial Bank is going to give the same facilities. It was on that understanding that this matter was dropped as far as Cawnpore, Lahore and Karachi were concerned. It was found that, by opening branches in those places, unnecessary expenditure would be incurred, because the Imperial Bank has branches in those places already and, if the Reserve Bank also opened a branch, it would be duplicating the expenditure. Under the present scheme, the expenditure will be merely nominal . . .

**Mr. S. C. Mitra:** Whom is the Honourable Member addressing ?

**Mr. Muhammad Yamin Khan:** I am addressing the House: the House is also on this side as the Honourable Member is on that side: Members are sitting on this side as well.

The point is that this is no gain to the United Provinces: neither is there any loss to my province to have the business transacted through the branch of the Imperial Bank, provided the same facilities are granted to the people at Cawnpore. As far as the register is concerned, I do not see that any object will be gained. My friend may say that we can have 11 Directors; but that position will never arise unless we alter the material points when the question of elected and nominated Directors comes up: that has to be balanced. If you alter the number of elected Members, it at once brings up the issue of the number of nominated Directors, because it is not in the interests of anybody to make more nominations than is necessary. It is a question of giving representation to interests which may not come in through election. For instance, my friend, Mr. Maswood Ahmad, himself says that from Calcutta it is likely that no Indian may come and that two Europeans may come: Whom will they represent? The commercial classes; and if from Bombay also we have two to represent the commercial classes, and if Cawnpore also sends one, because it is a place of commercial concerns, then we will merely go on increasing the commercial people on the Directorate; naturally the agriculturists will want their number also to be increased: and if they do not come in through election, they can come in only through nomination. Therefore, it is necessary to balance the Directorate properly that the elected and nominated number should be curtailed. With great difficulty we came to this conclusion, that when there are eight elected people, there should be four nominated people. If this proportion is disturbed in one way, it will have to be disturbed in the other; and I do not think this minor amendment, which may look very innocent, but which really involves so many questions and so many amendments in the Bill and in the scheme, should be accepted. If you accept it, it will be absolutely impossible to handle the Bill in the short time which is at the disposal of this House. I do not also think that any useful purpose can be served: except perhaps that a register should be kept for Patna which really the Committee had forgotten to discuss. They discussed Cawnpore, Lahore and Karachi, but not Patna, because, simultaneously with Patna, there will arise the question of Nagpur, Peshawar, Cuttack and so many other places which the House will find very difficult to satisfy the representatives of the different provinces in such an easy manner as my friend, Mr. Maswood Ahmad, thinks. Therefore, I oppose this amendment.

**Mr. Lalchand Navalrai:** Sir, it pained me not a little this morning when my friend, Mr. Vidya Sagar Pandya, in a despondent mood said that he would not move his amendments. Sir, he has considerable experience of banking and has collected a large number of facts and figures, and I think that he would have contributed a vast amount of information and support to several of the amendments that have been sent in not only by him but by other Members also. I would, therefore, advise my friend to be a sportsman in a matter like this. Sir, if my friend considers the position in which we are placed in this House, I feel sure, that he would not be disappointed. He has experience of this House, and he knows that success on the popular side depends often on the will and wish, and, many a time, on the whims of the Government. Therefore, being in that situation, no one should feel disappointed or say that he will go on a strike or boycott the whole thing. Here we are trying merely to persuade the Government to accept our amendments to improve the measure, to place before them some of the facts collected by us. We are trying to ventilate our grievances, and let the country know where we are and what we are doing. Therefore, we should not like children feel disappointed if we do not achieve a particular object. We must carry on our agitation, we must voice our grievances, and in this sense I hope my friend will reconsider his position and move all his amendments, and, in the end, even if he loses all his amendments, he should not feel sore over it.

**Dr. Ziauddin Ahmad:** Notices of these amendments were given by other Honourable Members also.

**Mr. Lalchand Navalrai:** I have every respect for them as well, because they may have also got facts and figures, but Mr. Pandya has had very considerable experience in banking, and we would have got a great deal of information from him.

Now, Sir, coming to the point before the House, when I find the name of Karachi in the amendment, the House must know that I must get up to speak, not merely because I see the name of Karachi there, but because I see the importance of Karachi as a port of international importance, and, therefore, I have got up to support this motion that a register of shareholders be allotted to Karachi as well. I have also sent in an amendment which, of course, will come in its own turn, and in that amendment I have advocated that there should be a branch of the Reserve Bank at Karachi. We have already got an Issue Office at Karachi, and, therefore, it is very necessary that there should be a branch of the Reserve Bank there instead of our being left to depend upon the Imperial Bank, but I shall refer to that aspect of the question later. Now, with regard to the question of the register, I must say that even the staunch supporter of the Government in regard to this Reserve Bank, I mean my friend, Mr. Yamin Khan, has also proved my case. He said that if his friends from Cawnpore had sent in amendments to the effect that there should be a branch of the Reserve Bank at Cawnpore, he would have seen his way to support this amendment. I have put in an amendment for a branch being established at Karachi, and, on that reasoning, my friend must not oppose a register being given to Karachi, I urge the claims of Karachi, and I hope he will go with me in the lobby and not with the Government in this matter so far as Karachi is concerned. Sir, Karachi is now a very important port. It has international trade, and in that sense it has far superior and stronger claims for this register than other places which have been mentioned.

**An Honourable Member:** Aeroplanes too are going there.

**Mr. Lalchand Navalrai:** Yes, aeroplanes too are coming from Karachi to Cawnpore and other places. I do not grudge your giving registers to all the places; on the contrary, I am in agreement with this amendment that a register should be allotted to the places mentioned in the amendment, because even those places have their own claims and peculiarities; but so far as Karachi is concerned, I submit, it should be recognised by this House and also by the Government that Karachi is a port of international trade like Bombay and Calcutta, and, therefore, Karachi should have the same privilege. The main point is whether Karachi would absorb the number of shares that would be allotted to it. I submit, Sir, Karachi can give a guarantee for it. Karachi people are commercial people, and if we are given two Directors jointly with Bombay, Bombay knows how to treat Karachi in a step-motherly manner. Bombay will have two Directors, and there is no certainty at all whether Karachi will get one of them. If there is any guarantee from my friends in Bombay, and especially from my friend, Sir Cowasji Jehangir . . .

**An Honourable Member:** What about Mr. Mody?

**Mr. Lalchand Navalrai:** Mr. Mody will join hands with him always I believe.

**Mr. B. V. Jadhav** (Bombay Central Division: Non-Muhammadan Rural): May I point out that Sindhi merchants dominate the money market in Bombay, and that they dominate still more in Karachi?

**Mr. Lalchand Navalrai:** That proves that they should have a separate register. If there is a register in Bombay with the number they have fixed, I am sure, Bombay people will not allow to have any Director for Karachi. Instances of that kind are not wanting; every one may be selfish, but I think Bombay is no exception. Therefore, I submit, there is a strong case for maintaining a separate register for Karachi, and, if Government will not give a separate register to Karachi, it will be doing Karachi a sheer injustice. Sir, I support this amendment.

**The Honourable Sir George Schuster:** Sir, this is an amendment which in a sense concerns Government less than some of those which we have already discussed. By that I mean that no essential principle of this Bill is affected by it. Naturally, one has a great deal of sympathy with the local patriotism of those who favour a motion of this kind. But, Sir, I must return to the point which I took with you when I intervened in the discussion and point out that it is really impossible to consider an amendment of this kind without knowing what the consequential reactions will be on the whole scheme which is embodied in our Bill . . .

**Sir Cowasji Jehangir:** May I ask the Honourable Member whether it is not a fact that representation on the Local Board will entirely depend upon the voting strength of the particular area? That is to say, if Karachi has a very large voting strength and acquires a very large number of shares, then Karachi will naturally be able to force a Director on to the Local Board.

**The Honourable Sir George Schuster:** I think that is so, but I presume that the intention in the mind of my friend who moved this amendment is to convert a chance into a certainty. If Karachi has a register to itself with, let us say, 40 lakhs of shares, then with 40 lakhs shares they will be able to make a certainty of having one Director; but if these 40 lakhs shares are included in the Bombay register, it might not give them a certainty.

Sir, as I was saying, I do feel that it is impossible to consider a proposal of this kind without seeing all its reactions. It will entirely upset the scheme contained in the Bill as regards the distribution of shares and as regards the appointment of Directors and the size of the Directorate. My Honourable friend, who moved his amendment, made it quite clear that he contemplated increasing the number of elected Directors. There is a great deal to be said on both those points, and yet we cannot discuss them until we know what consequential amendments will be brought in.

**Mr. M. Maswood Ahmad:** If we leave these consequential amendments to you, will you accept this? I think even then you will not accept this amendment.

**The Honourable Sir George Schuster:** That is a responsibility which I cannot possibly take. What I had in mind was that if this House saw what the consequences were, then we should get a much more informed vote than we can at present. We are asked really to take a leap in the dark. My Honourable friend described himself when he moved his amendment as "poor Muswood". I suggest that he has been extremely ingenious in this matter, and he has hoped to get the House to accept this amendment without knowing what it means, and, having accepted it, he will be able to distribute the shares and the Directors as it suits him. The scheme which is contained in the Bill was produced after a very great deal of discussion. In formulating a scheme of this kind, it is quite impossible to please everybody, and one must be satisfied with a compromise. This scheme has stood the test of examination by a Sub-Committee in London, and, again, the test of examination by another Sub-Committee of our own Joint Select Committee, though the special Sub-Committee which we set up was mainly concerned with the actual distribution of the shares. It does, I think, represent the greatest possible measure of agreement, and, therefore, much as I sympathise with those who want to see a greater certainty of representation for their own districts, I must, on behalf of Government, express unwillingness to allow a scheme which has attained a great measure of agreement to be upset at this late stage. That, Sir, is the line which I am bound to take, and I venture to believe that if the House wanted to re-open the whole question, and if they were to sit and discuss this matter for three or four weeks, they would at the end of the time probably arrive at the present scheme as the one which commanded at least the greatest measure of agreement. That, Sir, is our position. As I have said, no essential principle is involved. It is a matter which rests very largely with this House, but, until I see the scheme, I must take the line of opposing any amendment which upsets the agreement which has already been reached.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (2) of clause 4 of the Bill, after the word 'Madras' the word 4 p. m. 'Karachi, Lahore, Cawnpore, Patna' be inserted."

The Assembly divided:

AYES—12.

Badi-uz-Zaman, Maulvi.  
Bagla, Lala Rameshwar Prasad.  
Brij Kishore, Rai Bahadur Lala.  
Ismail Khan, Haji Chaudhury Muham-  
mad.  
Lahiri Chaudhury, Mr. D. K.  
Lalchand Navalrai, Mr.

Maswood Ahmad, Mr. M.  
Raghbir Singh, Rai Bahadur  
Kunwar.  
Sarma, Mr. R. S.  
Shafee Daoodi, Maulvi Muhammad.  
Singh, Kumar Gupteshwar Prasad  
Ziauddin Ahmad, Dr.

NOES—50.

Abdul Aziz, Khan Bahadur Mian.  
Ahmad Nawaz Khan, Major Nawab.  
Allah Raksh Khan Tiwana, Khan  
Banadur Malik.  
Ayangar, Mr. V. K. A. Aravamudha.  
Bajpai, Mr. G. S.  
Bhore, The Honourable Sir Joseph.  
Bower, Mr. E. H. M.  
Chatarji, Mr. J. M.  
Clow, Mr. A. G.  
Cox, Mr. A. R.  
Dalal, Dr. R. D.  
Das, Mr. B.  
Dash, Mr. A. J.  
DeSouza, Dr. F. X.  
Dillon, Mr. W.  
Dutt, Mr. Amar Nath.  
Fazal Haq Piracha, Khan Sahib  
Shaikh.  
Graham, Sir Lancelot.  
Grantham, Mr. S. G.  
Haig, The Honourable Sir Harry.  
Hezlett, Mr. J.  
Hudson, Sir Leslie.  
Ishwarsingji, Nawab Naharsingji.  
Ismail Ali Khan, Kunwar Hajee,  
Jawahar Singh, Sardar Bahadur Sardar

Jehangir, Sir Cowasji.  
Lee, Mr. D. J. N.  
Mackenzie, Mr. R. T. H.  
Macmillan, Mr. A. M.  
Metcalfe, Mr. H. A. F.  
Millar, Mr. E. S.  
Milligan, Mr. J. A.  
Mitter, The Honourable Sir Brojendra.  
Morgan, Mr. G.  
Mujumdar, Sardar G. N.  
Mukharjee, Rai Bahadur S. C.  
Noyce The Honourable Sir Frank.  
Rafiuddin Ahmad, Khan Bahadur  
Maulvi.  
Raisman, Mr. A.  
Ramakrishna, Mr. V.  
Sher Muhammad Khan Gakhar,  
Captain.  
Singh, Mr. Pradyumna Prashad.  
Sinha, Rai Bahadur Madan Mohan  
Sloan, Mr. T.  
Smith, Mr. R.  
Studd, Mr. E.  
Suhrawardy, Sir Abdulla-al-Mamun.  
Tottenham, Mr. G. R. F.  
Yakub, Sir Muhammad.  
Yamin Khan, Mr. Muhammad.

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The next amendment, No. 28, is in the name of Mr. Thampan.

**Mr. K. P. Thampan** (West Coast and Nilgiris: Non-Muhammadan Rural): Sir, before I move my amendment, I wish to state that amendment Nos. 28 and 30 ought to be taken together. My intention was to move them together, as both of them refer to the same sub-clause, but they have been put separately in the agenda. If you will permit me, Sir, I will move them together.

I move:

"That in sub-clause (2) of clause 4 of the Bill, after the words 'and shares shall' the word 'not', and that, at the end, the words 'save in accordance with conditions to be prescribed by the Governor General in Council' be inserted."

**Sub-clause (2) of clause 4 reads thus:**

"Separate registers of shareholders shall be maintained at Bombay, Calcutta, Delhi, Madras and Rangoon, and a separate issue of shares shall be made in each of the areas served by those registers, as defined in the First Schedule, and shares shall be transferable from one register to another."

Sir, you will see that my object in moving this amendment is not to negative the provision, but I intend only to restrict the transfer of shares. In my speech at the first reading of this Bill at Simla, I referred to the unsatisfactory character of this provision and I said that if a large number of shares was transferred from one region to another, the very purpose for which the regional scheme was embodied in this Bill would be frustrated. To avoid such a contingency, I thought certain restrictions might be imposed. Sir, I do not propose to specify under what conditions the transfers may be effected. I will leave it to the Governor General in Council who could frame the necessary rules under the rule making power. I shall, by way of example, refer only to one aspect of the question. Supposing, in Madras, out of the 70 lakhs of rupees worth of shares, 90 per cent. are taken by the capitalists of Bombay or Calcutta, it will mean that there will be only ten per cent. left and the election of Directors and other matters contemplated in the Bill will have to be done by the ten per cent. remaining in that region.

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) vacated the Chair which was then occupied by Mr. Deputy President (Mr. Abdul Matin Chaudhury).]

That will reduce the whole thing to an absurdity. There are several other aspects of the question like this to which I do not wish to refer now and take up our time. I commend this amendment for the acceptance of the House.

**Mr. Deputy President** (Mr. Abdul Matin Chaudhury): Amendment moved:

"That in sub-clause (2) of clause 4 of the Bill, after the words 'and shares shall' the word 'not', and that, at the end, the words 'save in accordance with conditions to be prescribed by the Governor General in Council' be inserted."

**The Honourable Sir George Schuster:** Sir, my Honourable friend's proposal would upset or rather weaken one of the essential features of the present plan, which is to create as free as possible a market in the shares of the Reserve Bank. It is for that reason that it has been provided that shares shall be freely transferable from one register to another. My Honourable friend seeks to make this transferability subject to the directions to be issued by the Governor General in Council,—thereby incidentally bringing the total "score" of the Governor General in Council from 92 to 93—but by adding that, I venture to say, that he would completely upset this plan of free marketability, because the market would not know how the Governor General in Council is going to exercise this discretion. Under our scheme, if a share transaction has to go through, the broker in charge of the transaction will know that the shares which he gets from anybody now are good delivery to anybody else, wherever he lives, and, therefore, there will be a free market in the shares; but if on each occasion it is necessary to inquire: "Is A—the purchaser—entitled to acquire those particular shares which B—the seller—has available for

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sale?", it will entirely interfere with the working of this machinery. I do not think my Honourable friend has really made very clear what major purpose is going to be served by his amendment. On that ground, namely, that it upsets what we regard as one of the main features of the present scheme—the creation of a free market in these shares, we must oppose this amendment.

**Mr. Deputy President (Mr. Abdul Matin Chaudhury):** The question is:

"That in sub-clause (2) of clause 4 of the Bill, after the words 'and shares shall' the word 'not', and that, at the end, the words 'save in accordance with conditions to be prescribed by the Governor General in Council' be inserted."

The motion was negatived.

**Mr. S. C. Mitra:** Sir, I move:

"That in sub-clause (2) of clause 4 of the Bill after the words 'transferable from one register to another', the words 'and no person shall be allowed to have more than two hundred shares' be added."

If Honourable Members will refer to clause 4, sub-clause (2) of the Bill and my amendment, they will find that my purpose is to fix the maximum number of shares that an individual may be permitted to hold. On referring to the list of amendments, Honourable Members will find that Mr. Bhuput Sing gave notice of an amendment similar to this. Mr. Bhuput Sing, in his amendment, quoted the exact wording of the Bill that Sir Basil Blackett wanted to introduce in 1928, but he was not permitted by the Honourable the President to do so. My amendment and Mr. Bhuput Sing's amendment are really the same in effect. There is also a notice of an amendment by Mr. Sitakanta Mahapatra (Amendment No. 32) in which he fixes the number of shares at fifty. Now, because I shall have no opportunity to speak on these amendments, I would like to anticipate them and I must admit that Mr. Mahapatra's amendment is very logical.

Under the present Bill, no shareholder can exercise more than ten votes; that is, anybody, who has purchased Rs. 5,000 worth of shares, can vote fully to the extent of his shares. Although my amendment, if accepted, will permit an individual to hold shares up to Rs. 20,000, yet the remaining Rs. 15,000 of his shares will be sterilised. But I prefer my own motion, because I should like to pay due consideration to what the Honourable the Finance Member said, namely, that there should be as free a market as possible for these shares. But, as regards this free market, I do not like to extend that contention too far, because these shares should not be looked upon from the standpoint of free marketing alone. The question possesses other significance also. So our contention should not be concentrated on the marketability of these shares. What we are afraid of is that in some of these provinces, at least in the smaller areas, some big shareholders may purchase a very large number of shares and thus control the voting as regards the Directorate. It may be said that under the present scheme, during the first allotment, no individual will

have the chance to purchase a very large number of shares because, in the first instance, the vote will go to anybody who has subscribed over Rs. 500; but I am thinking of the future. We are all aware of the poor condition of most of the people in India, and, if a large premium is paid for these shares, say Rs. 25 or Rs. 30 per share, then it is very likely that a large number of persons, who will be allotted shares in the first instance, will be tempted to sell out their shares and they will largely go into the hands of big capitalists in the big cities. Now, if a big capitalist can control a few lakhs worth of shares, though he cannot for himself get more than ten votes, by narrowing the number of shares, certainly he can command a very large influence. So I am anxious that there should be some provision in this Statute itself by which that contingency may be avoided. We are very much afraid that, by some sort of *benami* transaction, some of the big capitalists may manage to have a large number of shares. (*Mr. B. V. Jadhav*: "And votes.") Well, the votes are limited to ten. It may not be possible to provide against all those contingencies; but, so far as it lies in our power, we should see that this Reserve Bank of India may not be run in the interests of a very few capitalists, and, so far as practicable, we should provide in the Statute itself that a large number of shares may not be concentrated in a few hands. With these few words, I move my amendment.

**Mr. Deputy President** (*Mr. Abdul Matin Chaudhury*): Amendment moved:

"That in sub-clause (2) of clause 4 of the Bill after the words 'transferable from one register to another', the words 'and no person shall be allowed to have more than two hundred shares' be added."

**Mr. Sitakanta Mahapatra** (Orissa Division: Non-Muhammadan): Sir, I beg to move:

"That to sub-clause (2) of clause 4 of the Bill, the following be added at the end : 'and no person shall be allowed to hold more than fifty shares at any time'."

Sir, let me admit frankly here by telling you now that I have gone through and considered the sections of the Bill under discussion from the point of view of an average Indian, of whom 91 per cent. of the Indian population is composed—I mean the Indian peasant. In placing my humble suggestion before the House, I am embarrassed with the thought that Honourable Members of the House—great commercial magnates, wealthy banking geniuses, scions of the Indian landed aristocracy—may not like my idea, that Honourable Members of the House who have lived in cities and big towns may not appreciate my position, that high Indian Government officials may not be able to follow my view point as they are mostly drawn from urban classes. But I have one strength in me and that is that Honourable Members belonging to the British nation—both the trading community and the public servants—although they are not fully acquainted with the difficulties of the peasant, are, I know, anxious to help him and will do their best to understand and accommodate me, if I am reasonable, and I hope to be so. To those who do not so agree with me, I have only to say that we have listened to the sympathies expressed for this class during the general debate and after and, if this amendment does not meet with the approval of my Indian capitalist friends, then it would only mean that their sympathy was confined to lips only.

[Mr. Sitakanta Mahapatra.]

My amendment has only got two ways of judging it—one, whether a maximum limit to the number for holding of shares at any time should be fixed, and next, if so, what number should be the most reasonable one. Let us consider the first point.

Sir, in spite of great opposition to the shareholder scheme in this House, it has been passed and we are now committed to it. But let the Honourable the Finance Member understand where the shoe pinches us. We are only afraid that in the shareholder scheme, as is laid before us, the rights of the poorer classes may not be sufficiently safeguarded—that it may be a dumping ground for the rich. We look upon the Reserve Bank of India as a national institution. Every Indian must do like that. There are 35 crores of Indians in India. But there are only five lakhs of shares. The main argument that may be advanced against limitation of shares is that sufficient applications for shares may not be forthcoming. But this is a wrong calculation. Supposing all the shares are to be held by the Indians, are there not five lakhs of sufficiently patriotic Indians in seven lakh of Indian villages, besides so many cities and towns who can invest Rs. 100 each in this Bank? Are there not one lakh Indians in the whole of the Indian Empire who are patriotic enough to invest Rs. 500 each? Are there not 10,000 Indians in this vast Continent who can afford to invest Rs. 5,000 each? I hope, the Honourable Sir George Schuster does not think like that. He certainly does not entertain such a low impression about Indians. There is none here who underrates the patriotism of the Indian people. But, leaving aside the question of patriotism, is not a share in the Reserve Bank the safest investment in India? Where in India can there be obtained such supreme security for investment? Where else can one get such safe return of six per cent. sure? You expect that Indians will deposit crores of their money here without any interest, but you do not expect that they will invest five crores at six per cent. safe return? Preposterous idea.

There is another aspect of the question. Every body feels and there is no gainsaying the fact that the Reserve Bank will be a parallel Government of India—that it will hold under its thumb the financial destiny of India. Every one, big or small, high or low, rich or poor, will rush to acquire a chance of having a voice in it. A time can safely be visualised in the near future when these Legislatures will pale into insignificance before the Reserve Bank, and rich men will spend fortunes in order to get into its administration. Shareholders, who will have votes, excuse me if I think like that, if they wish, will earn thousands for recording their votes. Men who will have control over some voters will earn fabulous sums. We all, who have been through elections, have an idea of it. I believe sincerely, that fancy prices will be paid for purchasing shares. Yet, does any body think that there will be dearth of applications for shares? I shall not be surprised if shares shall be over-subscribed by several hundred times. Feudatory Chiefs of India, some of whom are reputed to be the richest in the world, Rajahs, Maharajas, Talukdars, Zamindars, merchant princes, bankers, corporate bodies will rush in thousands to purchase shares in many and various ways. There are over one lakh primary co-operative societies only in India. Can you supply five shares to each of them? If so, where shall the Europeans or the city and town interests go?

Sir, I have sponsored this motion only because I am sincerely afraid that the peasantry—the real Indian nation will not have any chance at all. This Bill, from the very start, has been conceived and produced by rich

men keeping the interests of rich men in view only. The Joint Select Committee consulted big banking interests alone for advice. So far as my information goes, subject to correction, in the Select Committee, Mr. Bhuput Sing put this question definitely to Sir Osborne Smith and he agreed to the principle of fixing a limit; but, then, when the Honourable the Finance Member again repeated the question, Sir Osborne changed his view and other bankers agreed with him. My only fear is that shares will be subscribed in the five big cities within a few hours and the rest will go unheeded. Government loans are always successful. Sir, if the Honourable the Finance Member thinks deeply, which, I am sure, he does, he shall not have the least doubt that there will be a huge rush for shares.

Then, let us consider what are the disadvantages of not fixing a maximum. If a maximum is not fixed, a time will come, sooner or later, rather sooner than later, when all the shares will pass into the hands of a few multi-millionaires. Fancy prices will be offered for shares for the above-mentioned considerations. It will be a sport of the plutocrat. Poorer people shall never be able to resist the temptation of ready money much beyond their expectation and a quick return for investment and will part with their shares. This scarcity, this depression and all round want will give further impetus to sale of shares. Of course, there is nothing much to fear in the first allotment of shares. But, in a year or two, after the starting of the Reserve Bank, as the sun rises in the east, shares will be concentrated in the hands of a few rich families, and the result will be that the Bank will be run entirely and exclusively by them and for them. Their nominees will be in the local boards and they will be in the Central Board.

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) resumed the Chair.]

And when so, what will be the consequence? The agriculturist, the peasant, the primary producer, who tills the ground, will be exploited to the utmost and reduced to serfdom. Sir, for Heaven's sake, do not be a party to it. Let shares be distributed as widely and as evenly as possible. Let the peasant feel that the Reserve Bank of India does not belong to the rich, the landlord, the banker, the intelligentia. It belongs to him. Let him be inspired with the idea that he is not the hewer of wood and drawer of water in his own land. He too can control the fortunes of India. Let him have a say in his own house.

Sir, there are, if such be the case, very potent disadvantages to the Government too. Supposing for argument's sake only, the Federation of the Indian Chamber of Commerce, in collaboration with other Indian commercial organisations, take it into their head to break the Reserve Bank constitution, thereby striking at the vital point of the Indian Constitution itself, say as a gesture of sympathy for some political organisation in the country, this unlimited scope of purchasing shares in the open market will afford them unlimited scope for working out their scheme. They may purchase most of the shares in open competition in the market, thus sterilising thousands of votes belonging to the poorer classes and reign supreme. They will have their nominees only in the local boards and the Central Board and will thus play ducks and drakes with anything under the control of the Reserve Bank and make it unworkable. Is there not such a possibility? Let me give a few illustrations as an argument only. There is no province in India where Marwaris are not very prominently connected with the local trade. If only one trade organisation in India,

[Mr. Sitakanta Mahapatra.]

say, that belonging to our famous Marwari brothers, wants to perform such a feat, they can purchase the majority of the shares in a week's time throughout India and keep the great national organisation completely under their feet, and shake the foundations of the Government of India itself. But if there be shares evenly and widely distributed throughout India with this one restriction of limitation, such an eventuality will be unthinkable.

Then, again, if there be no limit to one's holding of shares and if the Imperial Bank alone or, combined with a few other powerful exchange banks, intend to guide the policy of the Reserve Bank to their own advantage, is that a remote possibility? Can they not easily work it out? In such a contingency as this what have you got to save the Reserve Bank? Nothing at all. Supposing Messrs. Tata and Sons embark on a scheme of purchasing shares worth two and a half crores of the Reserve Bank either between themselves or through their innumerable employees and make India their dumping ground for all time to come, have you got any thing to prevent such a catastrophe? So, I say, that it is absolutely necessary that there should be a limit to holding of shares or the Reserve Bank will function under the gravest risks.

Sir, Sir Basil Blackett was perhaps one of the wisest statesmen when, in the unfortunate 1928 Bill, he conceived the idea of incorporating a limitation clause. It was most unfortunate for India that the 1928 Bill could not be introduced. If that Bill is introduced today, I for one would prefer that to this Bill under discussion. But the London Committee took a very unwise step when they recommended against such a limitation. Their arguments for taking such a step are most unconvincing. They say that it is unnecessary, firstly, because they have imposed a limitation on voting power. Absurd on the face of it. Can the so-called restriction on the voting power exercise any check on the above-mentioned contingency? Never, Sir. I say so-called, because there is no limitation to one's representing shareholders as a proxy. Cannot millionaires, who have deposited huge sums of money in the Imperial Bank at three per cent. or  $2\frac{1}{2}$  per cent. interest, take it out and invest it here without caring for votes? Secondly, they say that such a restriction would place undesirable obstacles in the way of free marketing of shares. This is exactly the very thing which should be stopped by all means for the benefit of poor men. Sir, when I read this very line, let me confess, I grew suspicious that rich and big financiers assembled in London had a motive in them that they want to speculate with the fortunes of India's poor men. So I gave notice of this amendment. Are not we going to make the Reserve Bank a national institution? Are there not many restrictions imposed on the activities of the Reserve Bank against free speculation which are open to other banks? Why should then its shares be speculated so much in the open market? Of course there will still be scope for speculation up to a certain limit. But, then, in a national concern, why should there be so much unhampered speculative transaction? The Honourable Rai Bahadur Mebrothra, a member of the Joint Select Committee, has put the case of limitation very finely in his minute of dissent which I am tempted to quote verbatim :

"There ought to be a limit of Rs. 25,000 the maximum holding of shares by a single shareholder. In case it is not done the capitalists who have tons of money and are now prepared to invest at about 4 per cent. will purchase shares for large amounts. They will thus sterilize votes and deprive the agriculturists and middle classes of

having any hand in the Bank. This will defeat the very object and the Bank will soon pass into the hands of capitalists. Moreover they will encourage and induce market manipulation so as to enable them to reap large profits by premiums thereby brought about."

Sir, I repeat, it is free marketing, in other words, speculation and manipulation which exactly I intend to stop to some extent by fixing a limit. Because, Sir, what I am afraid is that, taking advantage of free marketing, big financiers, leaders of stock exchange will so manipulate the value of shares that ultimately most of the shares will pass into the hands of rich men without even giving the poor man his legitimate due. Then we have to consider what should be the limit. We know five shares give one vote and 10 votes to one person is the maximum. Then, if one person holds 50 shares, he exercises 10 votes. But, if he holds more than 50 shares, he does not get any benefit out of it as regards voting power. Thereby he unnecessarily sterilises some votes. Why should such sterilisation be permitted in a national institution? The Honourable the Finance Member told us yesterday in unmistakable words:

"The Reserve Bank is going to be an Indian national institution. It is not going to succeed if it is not to be an Indian national institution",

if I am quoting him correctly. Further, our endeavour ought to be to fix the maximum as low as possible, so that as many persons as possible may be directly interested in the Bank. We cannot go below 60 shares limit because of sub-clause (2) of clause 9. But is it not desirable that at least 10,000 persons and institutions in this vast country, consisting of 350 lakhs of men, seven lakhs of villages, millions of corporate bodies and innumerable cities and towns should be interested in the Bank? Is it not desirable that the chance of holding shares should not be confined to city and town people alone, but should penetrate into the rural areas also as much as possible? Has not the Finance Member said that the Bank is not going to succeed if it is not going to be a national institution?

Sir, some very distinguished countrymen of the Honourable the Finance Member are of opinion that the Indian mass is being exploited by the intelligentia and so there is so much political agitation in the country. I hope, Sir George Schuster is also of the same opinion. I quite agree. But, then, what has he done for the Indian mass to throw off the influence of the intelligentia? What educative opportunity has the Indian mass been given so that they may know themselves and their rights? Sir, the acute and prolonged depression, coupled with the hold that the Congress could secure on the masses, has opened the eyes of the Government and good sense has dawned upon them rather late. Provincial Governments everywhere are evincing great concern for the rural population. Better late than never. But, if it is so, let me tell the Honourable Sir George Schuster that this is an unique opportunity he has in hand when he, if he so cares, can take the mass into his confidence and let them have confidence in him. Confidence begets confidence. Distribute shares of the great national institution, if the Finance Member sincerely said that, as widely and as evenly as possible among the masses. Let them feel that it is not the intelligentia who rule the country in conjunction with the Government. If they invest money in a concern—their savings for years—they will take a keen interest in the Bank and the Government as well. They will make it their point to see that the Bank and the Government are established and run as

[Mr. Sitakanta Mahapatra.]

soundly and as strongly as possible. Then they will not listen to the advice of the political agitators to break or weaken the Government. Do not compare the very meagre interest they take in the Legislatures with the interest that they will take in the Bank. So, open the doors of the Reserve Bank to them. They have staked nothing in the Legislatures. So, they are indifferent. But here they will invest money—their life's savings. Can they be indifferent? I hope, Sir George who is wise will not let this opportunity go.

With this, Sir, I appeal to the Honourable Members of the House, in the name of the peasant, to extend unto him the chance of having some share with them in running the Reserve Bank. Sir, I move. (Applause.)

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That to sub-clause (2) of clause 4 of the Bill, the following be added at the end : 'and no person shall be allowed to hold more than fifty shares at any time'."

These two amendments, one moved by Mr. Mitra and the other moved by Mr. Mahapatra, will be discussed together now.

**Mr. Bhuput Sing**: Sir, I beg to support the amendment of my Honourable friend, Mr. Mitra. Though I have got great sympathy with Mr. Mahapatra's amendment, I think, Mr. Mitra's amendment is more reasonable. As pointed out by Mr. Mitra, the same provision found a place in the 1928 Bill and I shall read a few lines from the notes on clauses in that Bill, which is as follows:

"In clause 4, sub-clauses (2), (3), etc., provide for a broad-based distribution of the share capital both at the time of the original allotment and subsequently and is intended to be a safeguard against the control of the Bank by sectional interests of any kind."

I lay stress on the words "control of the Bank by sectional interests of any kind". In 1928, it was thought fit by the Government of the day that there should be some provisions which should prevent the capitalists or any other section from having control through the majority of shares held by them, but now in 1938 Government do not think it fit that the same safeguards should be placed in the Statute. I cannot understand the reason which has made them change their outlook in that direction. The main principle of the Bill is that the share capital of the Bank should be distributed to the largest number of people and, with that object in view, the share which was originally fixed at Rs. 500 each was subsequently reduced by the Joint Committee to Rs. 100. But, by omitting such a provision that basic principle is negatived, because if the shares are held by the capitalists without limit, they may combine and may artificially raise the price of the shares in the open market and thereafter purchase the majority of shares. And we know from our experience in the share market that with the slightest rise in the share value of any joint stock company, shares of such companies come in large numbers to the market for sale. (*Mr. B. V. Jadhav*: "Not necessarily.") That is the general experience. Now, if the majority of shares are held by the big capitalists and, if they combine, they can manipulate currency and

credit and also the exchange policy of the Bank to suit their own convenience and thereby earn a good deal to the detriment of the country. There should not be any loophole in the constitution of the Bank by which such a thing may happen in future. I admit, as pointed out by the Finance Member, that the chance of such contingency is very remote, but still there is some chance by which such a thing may happen. There is one other point. The Finance Member said that there was a limitation of dividend to five or six per cent. But that is no reason why big capitalists should not come in for these shares. I shall read a few lines from "The Reserve Bank of India and the Money Market" by Mr. Dadachanji in which he says:

"An inquiry into the ownership of shares of many Central Banks of Europe will show that trustees of private trusts, rich families and big merchants form the largest holders of them."

So the question of dividend does not arise, because generally these merchants and big families invest in 3½ per cent. Government paper and they will find it more convenient to invest in Reserve Bank shares, because it will yield about 5-6 per cent. dividend and are quite as good, if not better, like other Government securities.

Sir, a great deal has been said to free the Bank from political influence and every one wishes that the Bank should be free from any such political influence whether it comes from the Indians or the Britishers. Now, if there is no such provision, then a political party in India or in England may combine and try to get hold of the largest number of shares and thereby control the Directorate and through them may influence the daily working of the Bank.

A great deal has also been said in this House and outside about the agricultural interests which will surely suffer if the capitalists are given a chance to combine and to hold the largest number of shares. Sir, for all these reasons, I ask, why should Government object to insert such a clause which aims to make the Bank really free from political influence and from the influence of big capitalists as well. Everybody knows that the interests of the capitalists are against the interests of agriculturists and, though I may be a capitalist, still I certainly must fight for the agricultural interest. With these words, I support the amendment.

**Mr. B. Sitaramaraju:** Sir, I rise to support the view that there should be a maximum fixed with regard to a person's right to hold a number of shares. In doing so, I should like to point out that the one merit made much of of a Shareholders Bank is that the shares would be as broad-based as possible. When in the Select Committee the shares were lowered from Rs. 500 to Rs. 100, we all thought that it was taking a step in the right direction. But, unfortunately, in the Select Committee what was given to these shareholders with the right hand was taken away with the left hand. In other words, though the shares were reduced from Rs. 500 to Rs. 100, the benefit did not accrue from the point of view of the matter being a broadbased one, because they do not have the vote. It is only people who have five shares that are given the vote. The practical effect, therefore, is that, so far as these Rs. 100 shares are concerned, and so far as the lowering of the basis from Rs. 500 to Rs. 100 is concerned, it is practically nugatory. Therefore, I consider that notwithstanding the fact that you are going to limit the powers of voting, still

[Mr. B. Sitaramaraju.]

if you do not put a limitation on the power a member can have in holding shares, I do not think you will be doing the proper thing even to carry out your own ideas into effect. The reason is this. That limitation on that power to exercise more votes because he holds more shares is, no doubt, desirable; but if you put a maximum he can hold, you will enable a large number of people to become shareholders and thereby exercise that privilege on a broad basis without being cornered. But if, on the other hand, you do not put any maximum, the result would be that most of these shares would be locked up. The fact that there is a limitation put on the voting strength alone will not be sufficient and will not affect the main objection which I have tried to point out to the House. One possible argument that can be advanced on behalf of Government is this. They may say that they have under this plan so arranged that it will not be made possible for any particular person to acquire a large number of shares; and they may also say that the plan is so well arranged that, when it is actually worked out, it will be seen that there will be no preponderating influence from any particular area or gain by any particular person. That is an argument which, I think, may be possibly advanced by Government. But when it is remembered that there is no limitation placed on the right of transference of that vote from one person to another, it will be seen that it is quite possible for large capitalist interests to secure these shares by the loophole provided in this Bill, and thus defeat the object of securing a broad base. For these reasons, I consider that it is necessary to put a limit on the number of shares one can have if there is any reality in the proposition that it is going to be, under the shareholders plan, a broad based national institution. Of the two amendments before the House, the one moved by Mr. Mitra should be supported by the House, because he has got one great authority behind him, and that is, Sir Basil Blackett's proposals wherein this maximum was provided. The then spokesman of the Government was in favour of putting a maximum and that maximum is the maximum which my friend, Mr. Mitra, now proposes. Therefore, I consider, the amendment of Mr. Mitra with the authority of Sir Basil Blackett, what was wrongly called the 1928 Bill, should be accepted: for there is no such Bill in reality as the 1928 Bill—there was only one Bill then and that was the 1927 Bill. When Sir Basil Blackett, on his return from London in 1928, after consultation with the London interests, wanted to introduce a Bill, your honoured predecessor, Sir, did not allow that Bill to be introduced. Therefore, there is no such Bill as a Bill of 1928: but there certainly were certain proposals in 1928 which presumably had the consent of the London interests, because it was soon after Sir Basil Blackett's return to India that he presented certain proposals wherein it was provided that the maximum should be 200 shares. Therefore, I feel that Mr. Mitra is on strong ground, with the support of Sir Basil Blackett's proposals, and I hope, Honourable Members will give due consideration to that.

**Diwan Bahadur A. Ramaswami Mudaliar** (Madras City: Non-Muhamedan Urban): Sir, the Honourable the Finance Member will remember that, at various stages in the discussion of this question, apprehensions have been expressed by some Members that the concentration of a large number of shares in any particular shareholder may be detrimental to the proper working of the shareholders system. Both at London and in

the Joint Select Committee, I understand people were of opinion that the possible concentration of a large amount of share capital may be utilised in so diverting the voting power that it may not be properly exercised. There is, of course, a mathematical way by which a person could go on buying shares and, therefore, reduce the possible number of shareholders who can have voting power—I do not lay much stress on that, because if the large amounts, that have been distributed over the various registers, are taken into consideration, it will be seen that that is not a very vivid possibility. But there is another possibility which has been given expression to, and this I should like to place before this House. A shareholder can obtain shares to the extent of a lakh of rupees and, then, at the time when a Director has to be chosen or when a particular local board has to be elected, he can so distribute the shares that he has got among a certain number of people who are within his control and under his management, so to say, that he can increase the voting power of himself by having a certain number of nominees of his own as shareholders. That, I understand, is the real fear behind this suggestion. I do not think this is a matter of very vital principle—the Honourable the Finance Member will admit that it does not in any way hamper the constitution of the Reserve Bank or its smooth working. It is a principle which, to some extent, had been accepted by Sir Basil Blackett in the proposal that he made in 1928. The only two possible objections, that I can understand, from the Government are these: in the first place, if we restricted it only to Rs. 20,000—and I am now speaking of Mr. Mitra's amendment, because I think it is the more reasonable amendment—for each shareholder, we may not find it possible to distribute the whole of the share capital. Unless we get big share allotments of Rs. 50,000 or a lakh, it may not be possible to have the entire distribution carried out. But the amount of interest that has been taken in this Reserve Bank and the amount of publicity that has been given and will continue to be given to the proceedings of this House must, I think, result in a large number of shareholders applying for shares, and I do not think that is going to prove a very difficult thing, so far as the Government are concerned. The second objection that may be levelled against it is that the market value of these shares may, to some extent, be diminished, that if you limit the holding of shares only to Rs. 20,000 to any individual, the chances of shares being marketed will, to that extent, be minimised. I think, while we frankly recognise that that may be so, we have to choose the lesser of the two evils; and I personally believe that, if by any means you can allay the apprehensions of those who feel that the shareholders system cannot work properly or will, to a certain extent, be diverted if a minimum limit is put and a maximum limit is not put, I think it will be advisable to choose the lesser of the two evils and meet that apprehension. I would, therefore, very earnestly appeal to the Finance Member to consider it from the point of view of meeting very just apprehensions on the one side and trying to allay those apprehensions so that that volume of public opinion, which is suspicious of the shareholders scheme, may, to this extent at least, be more prepared to adopt the scheme. It is from that point of view that I throw out that suggestion that it may be advisable for the Finance Member to accept the motion of my friend, Mr. Mitra.

**Dr. Ziauddin Ahmad:** Sir. the Government practically have accepted the principle underlying this motion. The principle is that a few persons

[Dr. Ziauddin Ahmad.]

should not be able to dominate the entire election, and that the Government themselves have proposed that one person should not be able to have more than ten votes. Now, all of us have on this side here got experience of election tactics; and there are two tactics in elections: one is to increase the number of your votes and the other is to diminish the number of the votes of your opponent. In this case, no doubt, by increasing his own votes he may not be able to exercise an indefinite number in his favour, because a limit of ten votes is imposed. But there exists a loophole, and a person can stop the election of his opponent by monopolising a large number of shares. The opponents will be handicapped, because the shares will not be available for them to purchase. Now, to look at it from a different point of view. The fact that a person who has an indefinite number of shares in his possession will have only 10 votes is really lowering the voting capacity of shareholders, because the voting capacity of one person is 10 shares and, sc, if any one has got more than 10 shares, he is really blocking the voting capacity by an amount of wasted shares. Is it not right, therefore, for us to put a limit to the blocking capacity of these shareholders or are we to give it indefinitely and block it to any extent we please? My friends may say that it is a hypothetical case: I think it is not a hypothetical case and that these things will actually happen. As my Honourable friend, Diwan Bahadur Mudaliar, pointed out, it is quite likely that one man may purchase a large number of shares, first with the intention of blocking, and, then, at the time of the election, if he finds that his case is doubtful, he will distribute the shares to his own advantage and thus secure election. These are the tactics which are very often used in elections, and I fear that, unless you put down this maximum limit for a shareholder, the restriction that one person cannot have more than 10 votes will be nullified. The Government have admitted that they wanted to set up a national Bank and not a capitalist Bank; so I request them to consider seriously the essential condition of putting an upper limit to buying capacity. I hope that they will accept it.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 7th December, 1933.

## LEGISLATIVE ASSEMBLY.

Thursday, 7th December, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

### QUESTIONS AND ANSWERS.

#### PROTECTION GRANTED TO THE IRON AND STEEL INDUSTRY.

1285. \*Mr. B. R. Puri: (a) Will Government be pleased to state:

- (i) the approximate excess amount of capital outlay incurred on railways in India due to the protection granted to the iron and steel industry, during the period that the protection lasted;
- (ii) the approximate additional expenditure incurred out of the revenue account (as distinguished from the capital expenditure) due to the same cause and during the same period;
- (iii) the effect which the protection will have in future for the same period on budgets (Income and Expenditure) of Railways in India per every rupee of protection duty which may be imposed?

(b) Will Government please state whether Railways propose to prepare a memorandum on the subject showing the effect of this tariff, and place it before the Tariff Board?

(c) Do Government propose to prepare a memorandum showing the effect of protection of duty on Public Works Department irrigation projects, hydro-electric projects, military and other projects, and works in India and the Provinces?

(d) Are Government in a position to state the amount of total additional income to steel works in India due to protection of iron and steel during the past, and out of this what is the portion which has been borne by various Government departments, and what portion may be presumed to have been borne by private concerns and individuals?

(e) What was the total amount of protection granted on iron and steel works in India during the period of protection—giving the amount for each year as well?

(f) How much of such iron and steel which received the protection was consumed in India and how much exported?

The Honourable Sir Joseph Bhore: (a) Any calculations that may be made of the difference that the protective policy of the Government of India has made to Railways either in the matter of capital or revenue

expenditure must depend upon so many assumptions that they will seriously detract from the value of any conclusions that may be derived therefrom. The collection of the material would involve such a considerable expense of time and labour that Government are very reluctant to undertake it when they are so doubtful about the value of any results that may be obtained from it.

(b) and (c). For the same reasons Government do not at present propose to undertake the preparation of a memorandum showing the effect of this tariff either on Railways or on other public works in India.

(d) No.

(e) The question is not understood. If the Honourable Member desires information as regards the protective duties in force, he is referred to the Steel Industry (Protection) Act, 1924, as subsequently amended, the Steel Industry (Protection) Act, 1927, as subsequently amended, the Wire and Wire Nail Industry (Protection) Act, 1933, and the Indian Tariff (Amendment) Act, 1932. Copies of these Acts are in the Library.

(f) Only an insignificant proportion of the Indian production of the protected classes of iron and steel is exported abroad.

**Dr. Ziauddin Ahmad:** The Honourable Member in his reply said that it was not worth while to calculate the exact value of the protection that we had given. I think this is an exceedingly important question, and, when any protection is given to any industry, it is the duty of the Government to find out the actual value of the protection we are giving them. . . .

**Mr. President (The Honourable Sir Shanmukham Chetty):** Will the Honourable Member kindly ask the question?

**Dr. Ziauddin Ahmad:** Yes, Sir; my question is: is it not the duty of the Government to find out the exact amount of protection which is given to the steel industry in the way of reduced duty in freight, in the way of increased prices which falls on the consumers, and in other ways, so that the public may know the exact present we are making to the Tata Steel Company?

**The Honourable Sir Joseph Bhore:** My Honourable friend did not, I think, listen to my reply. I said that the calculations must depend upon so many assumptions that they will seriously detract from the value of the conclusions that might be derived therefrom, and I am afraid it would not be possible for us to give the accurate figures which my friend desires.

**Dr. Ziauddin Ahmad:** I think, Sir, this is a very simple calculation. . . .

**The Honourable Sir Joseph Bhore:** It is not a simple calculation.

**Dr. Ziauddin Ahmad:** If an Honourable gentleman in his office does not know how to calculate, it is a different matter. We have got the data before us. . . .

**The Honourable Sir Joseph Bhore:** I disagree with my friend.

**Raja Bahadur G. Krishnamachariar:** Can he at least give the figures approximately, if not accurately?

**The Honourable Sir Joseph Bhore:** No, Sir; a good deal depends upon what prices, for instance, would have been had there been no protection. It is not possible for us to calculate that with any degree of accuracy.

**Dr. Ziauddin Ahmad:** Then are we to take it that this protection has been given blindfolded?

**The Honourable Sir Joseph Bhore:** No, Sir; after very careful examination by the Tariff Board.

**Dr. Ziauddin Ahmad:** I should like to know what is the actual value of the protection?

**Mr. B. S. Sarma:** Why not read the Report of the Tariff Board?

**The Honourable Sir Joseph Bhore:** I was going to refer my friend to the Tariff Board Report and to the discussions in this House on that Report.

**Dr. Ziauddin Ahmad:** I understood that the Honourable Member's first reply was that it was not worth while to calculate it, but now he wishes me to refer to the Tariff Board Report. Can he not give us the exact or approximate figures?

**The Honourable Sir Joseph Bhore:** My friend persists in misrepresenting me. I never said, it is not worth while. I said, there are so many assumptions involved that it is impossible to get accurate figures which would justify conclusions therefrom.

#### PRICE OF IRON AND STEEL EXPORTED FROM INDIA.

1286. \***Mr. B. R. Puri:** What is the price at which iron and steel has been exported from India as against the prices secured in India for home consumption?

**The Honourable Sir Joseph Bhore:** The information is being obtained and will be supplied to the House in due course.

#### INDIAN MANUFACTURED IRON AND STEEL.

1287. \***Mr. B. R. Puri:** What is the percentage of Indian manufactured iron and steel as compared with the total quantity of iron and steel and products of iron and steel consumed in India?

**The Honourable Sir Joseph Bhore:** The percentage of Indian manufactured iron and steel consumed as compared with the total quantity from all sources consumed in India in 1932-33 is reported to be:

Pig iron	...	...	...	...	99·9 per cent.
Iron and steel other sorts			...	...	79·7 per cent.

#### IRON AND STEEL PURCHASED IN INDIA AND IMPORTED INTO INDIA.

1288. \***Mr. B. R. Puri:** (a) What is the approximate total tonnage of iron and steel in all forms purchased by Railways, Military, Telegraph and other departments, in India during the past period of protection? How much of it was bought from Tatas and how much was imported?

(b) What amount may be considered to have been paid as incidental to duty?

(c) What is the total tonnage of products of iron and steel imported into India during the last seven years?

**The Honourable Sir Joseph Bhore:** (a) I am endeavouring to obtain for my Honourable friend all the information that is readily available and shall place it on the table of the House in due course. So far as Railways at any rate are concerned, I am not sure that it will be possible to obtain the information in the particular form required without considerable difficulty. I would, however, invite his attention to Appendix A of Volume II of the Railway Board's annual report on Indian Railways wherein the value (not quantity) of stores purchased by Class I Railways annually is shown under various categories; 'Stores imported direct', 'Imported stores purchased in India' and 'Stores of Indian manufacture or origin'.

(b) I presume the Honourable Member desires figures of the total amount of duty collected from the time protective duty on steel was introduced. This is not available in recorded statistics.

(c) I lay a statement on the table.

*Statement showing the total tonnage of products of iron and steel imported into India.*

Year		Quantity.
		tons.
1926-27	.	625,956
1927-28	.	907,025
1928-29	.	911,175
1929-30	.	728,584
1930-31	.	187,361
1931-32	.	273,197
1932-33	.	242,568

**Raja Bahadur G. Krishnamachariar:** May I ask a supplementary question, Sir? Is it not a fact that the Tariff Board, in recommending protection to the Tata Iron and Steel Company, expected that the Railway Administrations in India would make a certain percentage of purchases from them?

**The Honourable Sir Joseph Bhore:** I think my friend is rather general in his statement. Does he refer to the question of rails?

**Raja Bahadur G. Krishnamachariar:** Rails and steel, both?

**The Honourable Sir Joseph Bhore:** I think he would be right if he confined his statement to rails.

**Raja Bahadur G. Krishnamachariar:** Am I to understand then that, in the calculations made by the Tariff Board, they never took into consideration the amount of steel, apart from rails, that would be purchased by the Railway Administrations in India?

**The Honourable Sir Joseph Bhore:** They may have taken that into consideration, but it was not the definite basis upon which they made their recommendation; the definite basis was, I believe, a certain assumption as to purchase of rails by Railways.

**Raja Bahadur G. Krishnamachariar:** Will the Honourable Member state whether it is not a fact that, in spite of all the recommendations made by the Railway Board, the Railways in India do not actually purchase Indian made material, but that they go out of India and place orders there?

**The Honourable Sir Joseph Bhore:** My friend must give me notice of that question; but I should think it is very unlikely that his suggestion is correct.

**SALE OF STEEL SCRAP FOR EXPORT TO JAPAN BY THE NORTH WESTERN RAILWAY.**

1289. \***Mr. B. R. Puri:** (a) Has North Western Railway Administration sold 10,000 tons of steel scrap for export to Japan to a Japanese firm without offering it to India or to any Indian firm in the first instance? If so, what was the economic advantage, and why was a departure made from the usual practice?

(b) What is the average price of iron and steel scraps secured by different State Railways in India during the last five years for each Railway Administration separately every year?

**Mr. P. R. Rau:** (a) I understand 6,000 tons scrap was sold to the representatives of a Japanese shipping firm in March last and that the price obtained was higher than the price obtained for similar material when tenders were last called for by the North Western Railway. The question is under further investigation.

(b) The collection of information for the period mentioned will involve a considerable amount of labour and expense which Government do not feel justified in incurring; but I lay on the table statement showing the prices per ton obtained from auctions of scrap of iron and steel by the State-managed Railways during the course of the last 12 months.

*Statement showing the prices per ton obtained from auctions of scrap of iron and steel by the State-managed Railways during the course of the last 12 months.*

	Rs. per ton.
<i>Eastern Bengal Railway—</i>	
Cast iron scrap . . . . .	27.5
Steel rail scrap . . . . .	39.66
Mild steel scrap . . . . .	26.5
Steel spring scrap . . . . .	37.0
<i>East Indian Railway—</i>	
Cast iron scrap . . . . .	24.6
Steel rail scrap . . . . .	38.0
Mild steel scrap . . . . .	27.0
Spring steel scrap . . . . .	30.0
Wrought iron scrap . . . . .	22.0
<i>Great Indian Peninsula Railway—</i>	
Cast iron scrap . . . . .	19.7
Mild steel scrap . . . . .	23.3
Wrought iron scrap . . . . .	22.7
<i>North Western Railway—</i>	
Cast iron scrap . . . . .	26.4
Steel rail scrap . . . . .	38.0
Mild steel scrap . . . . .	26.7
Wrought Iron scrap . . . . .	15.8
<i>Burma Railways—</i>	
Scrap iron . . . . .	19



**Mr. B. Das:** Are Government aware that Japan buys up this scrap iron and floods the Indian market as well as the Empire market with cheap toys and cheap cycles that do not last for more than a few weeks?

(After a pause): I want a reply to my question.

**The Honourable Sir Joseph Bhore:** My suggestion to my friend is not to buy those cheap cycles.

**Mr. B. Das:** Is the Honourable Member aware that Japan, in her attempt to dump the Indian market with cheap goods, buys up all the scrap iron from India?

**The Honourable Sir Joseph Bhore:** I believe it is a fact that Japan buys a very large quantity of scrap iron in the Indian market.

**Mr. B. Das:** And the consequence of that is that the Indian market is flooded with cheap goods?

**The Honourable Sir Joseph Bhore:** I cannot say that that is the necessary consequence, Sir.

**Mr. Amar Nath Dutt:** Is it a fact that the price, at which Japan purchases pig iron, is far less than the price at which it is sold to Indian manufacturers in India by the Company?

**The Honourable Sir Joseph Bhore:** My Honourable friend must give me notice of that question.

**Mr. B. Das:** May I ask the Army Secretary whether Japan buys this scrap steel and uses it to manufacture shells to fight her enemies?

**Mr. G. R. F. Tottenham:** I must ask for notice of that.

**Mr. B. Das:** May I inform the Army Secretary that Japan utilises this scrap steel from India for manufacturing munitions?

**Mr. G. R. F. Tottenham:** I have no information on the subject.

**Dr. Ziauddin Ahmad:** May I know whether the fact of sale was advertised in the Indian papers, and, if so, on what date?

**Mr. P. R. Rau:** No, Sir. I understand that this was done by private negotiation.

**Dr. Ziauddin Ahmad:** And the Indian firms were given no chance?

**Mr. P. R. Rau:** That is the point on which I am conducting further investigation.

**Dr. Ziauddin Ahmad:** What investigation is necessary when this thing was not advertised?

**Mr. P. R. Rau:** To ascertain the reasons for that.

**Mr. S. C. Mitra:** Is that for the first time that no tender was called for?

**Mr. P. R. Rau:** I believe what generally happens is that tenders are called for at intervals, and, between those intervals, if a suitable offer comes in at a higher rate than was obtained at the previous auctions, that offer is generally accepted.

**Mr. S. C. Mitra:** What was the last date of tender when the general tender was called for and this new process was adopted—privately arranging for acceptance without public tender?

**Mr. P. R. Rau:** This is not a new procedure, but, as I told my Honorable friend, what really happens is that Railways call for tenders at intervals, and, between those intervals, if any favourable offer is received, they consider whether it should be accepted. But the full circumstances are not before us, and I have called for further information. I shall lay a statement on the table in due course.

**Mr. M. Maswood Ahmad:** Was any departure made in this case from the usual practice?

**Mr. P. R. Rau:** I do not think so.

**Dr. Ziauddin Ahmad:** I did not catch the reply to the question, "when was the last tender made?"

**Mr. P. R. Rau:** I am getting that information, and I shall place a statement on the table in due course.

**Mr. B. R. Puri:** May I know if the information supplied by the North Western Railway authorities has not been found to be satisfactory by the Government and that is why fresh investigation is proceeding?

**Mr. P. R. Rau:** Government are calling for further information before coming to a conclusion whether this particular transaction was one which they could approve.

**Mr. M. Maswood Ahmad:** Will they lay that information on the table of the House for the information of Members?

**Mr. P. R. Rau:** I have already said that I shall place a statement on the table in due course.

#### RAILWAY FREIGHT ON IRON AND STEEL.

1290. \***Mr. B. R. Puri:** (a) Are Government aware that the railway freight on iron and steel and products of iron and steel and concessions available from various Railways to Messrs. Tata Iron and Steel Company, Limited and manufacturers in Tatanaagar, Kulti, Kumardhoti, and Burnpur and some other stations, affect the economical condition of other small Rolling Mills growing up and the manufacturers of products of iron and steel in the country in different provinces?

(b) Does the reference to Tariff Board of the question of protection of iron and steel industries cover the consideration of freight rates and policy governing them? If not, do Government propose to direct the Rates Advisory Committee or the Tariff Board and the Railway concerned to

examine the question of freight rates on iron and steel and products of iron and steel at the same time as the question of protection and make recommendations which may be fair and equitable for all concerned?

**The Honourable Sir Joseph Bhore:** (a) Government have received representations to this effect.

(b) The Tariff Board is competent to make adjustments on account of freight rates in calculating the amount of protection, if any, which it considers necessary but it is outside its sphere to advise either on the desirability of modifying the existing freight rates or on the policy governing the fixation of freight charges. As regards the latter half of the question, the Honourable Member's attention is invited to the Railway Department Resolution No. 606-T., dated the 25th September, 1930, which was published in the Gazette of India, dated the 27th September, 1930. Any representation regarding railway freight rates on the commodities in question submitted in accordance with the procedure laid down in that Resolution will receive the careful consideration of Government.

**Mr. R. S. Sarma:** May I know from the Honourable the Commerce Member whether there is any difference in the freight rate paid on the Bengal Nagpur Railway between the Tata Firm and the Bengal Iron Company?

**The Honourable Sir Joseph Bhore:** I must ask for notice of that.

#### PROTECTION TO BYE-PRODUCTS OF IRON AND STEEL.

1291. \***Mr. B. R. Puri:** (a) Is an opportunity being afforded by Tariff Board to the public or specialists or merchants or consumers of iron and steel to scrutinize the production cost of iron and steel in India as shown in the representations made to them by iron and steel producers in India?

(b) Are Government in a position to state whether the iron and steel producers in India have developed any bye-products or subsidiary industries whereby the cost of production of steel could be reduced?

(c) Are these bye-products protected by tariff? If not, is the Tariff Board competent under terms of reference to examine and report the feasibility or otherwise of protecting the bye-products at the same time?

**The Honourable Sir Joseph Bhore:** (a) Copies of the representations submitted to the Tariff Board by iron and steel companies which contain particulars of their costs of production have been supplied to all who have asked for them.

(b) Yes, Sir, they have.

(c) The answer to both parts is in the negative.

#### PROTECTIVE TARIFF ON IRON AND STEEL IN INDIA.

1292. \***Mr. B. R. Puri:** Have the Indian States been invited by the Tariff Board to make any representation on their behalf in regard to the protective tariff on iron and steel in India?

**The Honourable Sir Joseph Bhore:** No special invitation is necessary. Wide publicity has been given by the Tariff Board to its enquiry and any interest desiring to do so is at full liberty to make what representation it desires.

**Mr. B. Das:** Is it a fact that the Mysore Iron Works often submit their memoranda before the Tariff Board for protection for iron and steel?

**The Honourable Sir Joseph Bhore:** I am afraid, I did not quite follow what my Honourable friend said.

**Mr. B. Das:** Is it a fact that the Badravati Iron Works in Mysore, which is an Indian State, often make representations to the Tariff Board for the protection of the iron and steel industry.

**The Honourable Sir Joseph Bhore:** I do not know what my Honourable friend means by saying, "They often represent before the Tariff Board".

**Mr. B. Das:** The question was whether the Indian States represent, and the reply of the Honourable Member was that wide publicity is given and anybody in the States interested in the matter can come up before the Tariff Board. My question was whether the Badravati Iron Works, which are situated in the Mysore State, do not come with their representations before the Tariff Board for protection for iron and steel.

**The Honourable Sir Joseph Bhore:** I have seen it reported in the papers that they have made a representation to the Tariff Board on this occasion.

**Mr. B. Das:** I tried to help the Honourable Member.

**The Honourable Sir Joseph Bhore:** I am very grateful to the Honourable Member for his assistance.

**Diwan Bahadur A. Ramaswami Mudaliar:** May I understand that the Tariff Board has jurisdiction to go into the question of what protection is required for an industry in an Indian State?

**The Honourable Sir Joseph Bhore:** Certainly.

**Dr. Ziauddin Ahmad:** When will this protective tariff given to iron and steel come to an end, or is it for an indefinite period?

**The Honourable Sir Joseph Bhore:** I think my Honourable friend is aware of the fact that the period of protection will expire at the end of next March.

**Dr. Ziauddin Ahmad:** I did not remember it. I hope that we will not continue the protection in a blindfolded manner.

#### BAD CONDITION OF THE ROAD BELOW THE BRIDGE AT MINTO ROAD, NEW DELHI.

1293. \***Mr. Muhammad Anwar-ul-Azim:** (a) Will Government please state whether they are aware that the road below the bridge at Minto Road, New Delhi, is in a terrible condition on account of the accumulation of water and mud, and that consequently, a motor car cannot easily pass under it?

(b) If the answer to part (a) be in the affirmative, do Government propose to see that it becomes safe for motor traffic?

(c) Is there any outlet for the water and mud that accumulates under the bridge?

**Mr. G. S. Bajpal:** (a), (b) and (c). Government are aware that the condition of the road at the spot referred to is unsatisfactory but it is an exaggeration to say that it is one of actual danger to motor traffic at least during the dry season. The real problem is one of drainage, and, at this point, it presents great practical difficulties as the level of the sub-soil water in the neighbourhood is higher than the level of the road at its lowest point. There is an outlet for water which accumulates at this point, and a pump to deal with accumulations under certain conditions. The arrangement however is not very satisfactory. An officer on special duty is studying this, along with other drainage problems and it is hoped that a permanent solution will be provided before the next monsoon.

#### NECESSITY FOR A TRADE MARKS LEGISLATION IN INDIA.

**1294. \*Mr. Vidya Sagar Pandya:** Will Government be pleased to state:

- (a) whether their attention has been drawn to a leading article appearing in the *Forward* of the 20th October, 1933, regarding trade marks law;
- (b) whether their attention has been drawn to a letter to which editorial notice is given by that paper as emanating from an Englishman in Ceylon;
- (c) whether it is a fact that a prominent British Chamber told the Government of India in writing that they were mistaken in allowing themselves to be influenced by a section of the Lancashire traders;
- (d) whether it is a fact that under the Merchandise Marks Act such trade marks, as are registered outside India, receive better recognition in this country than trade marks registered in India;
- (e) whether it is a fact that there is no central agency wherefrom one could get information regarding the trade marks registered at various Registrars of Assurance's offices in various parts of India;
- (f) whether it is a fact that such marks as are registered in Registry Offices referred to in part (e) do not afford any legal protection to the holders of trade marks;
- (g) whether it is a fact that such trade marks, as are referred to in parts (e) and (f), are not recognisable under the Merchandise Marks Act as trade marks;
- (h) whether Government propose to take any action as a result of their replies arising out of parts (a) to (g)? If so, what?

**The Honourable Sir Joseph Bhore:** (a) and (b). The answer is in the affirmative.

(c) No, Sir.

(d) to (h). The Honourable Member is referred to answers given by me to Mr. S. C. Mitra's questions Nos. 1231 to 1233 on the same subject.

#### NECESSITY FOR A TRADE MARKS LEGISLATION IN INDIA.

**1295. \*Mr. Vidya Sagar Pandya:** (a) Will Government be pleased to state whether it is a fact that the Indian Commercial Congress, now

known as the Federation of the Indian Chambers of Commerce and Industry, passed and forwarded to Government resolutions advocating introduction of trade marks legislation in India?

(b) Are Government aware whether any further memorandum, or memoranda, has or have been received either from the Federation of Indian Chambers of Commerce and Industry or from any other commercial bodies or associations interested in the matter, since the resolution referred to in part (a) was passed?

(c) If the answer to part (b) be in the affirmative, will Government be pleased to lay copies of the memorandum or memoranda on the table?

(d) Will Government be pleased to state the line of action they propose to take to satisfy the demand of the Indian commercial community regarding legislation for registration of trade marks in this country?

**The Honourable Sir Joseph Bhore:** (a) and (b). Yes, Sir.

(c) A copy of the communication has been placed in the Library of the House.

(d) The question of the desirability of enacting an Indian Trade Marks Act is under the consideration of the Government of India.

#### REGISTRATION OF TRADE MARKS IN BRITISH INDIA.

1296. \***Mr. Vidya Sagar Pandya:** (a) Will Government be pleased to state whether it is a fact that the Associated Chambers of Commerce of India and Ceylon, representing British commercial interests in India, Burma and Ceylon, forwarded early this year to the Government of India a copy of a resolution passed by them on the registration of trade marks in British India at their annual meeting held in January, 1933?

(b) Is it a fact that the said resolution was unanimously adopted by the said chambers?

(c) Has the said resolution received the attention of Government?

(d) What action, if any, do Government propose to take in this matter in which both Indian and British commercial opinions appear to be unanimous?

**The Honourable Sir Joseph Bhore:** (a) and (b). Yes, Sir.

(c) and (d). The Honourable Member is referred to the answer to part (d) of his previous question.

#### MOVE OF THE ARMY AND ROYAL AIR FORCE HEADQUARTERS' OFFICES BETWEEN SIMLA AND NEW DELHI.

1297. \***Mr. S. G. Jog:** (a) Will Government be pleased to state whether it is a fact that restriction is imposed on the moving strength of offices of Army and Royal Air Force Headquarters on account of limited office accommodation available in New Delhi, whereas no such limit is imposed on the allied offices of the Military Accountant General and the Military Finance Branch?

(b) Is it a fact that in the years before 1926 only a small portion of the office of the Military Accountant General used to move down to Delhi and that the Military Finance Branch also moved down in smaller strength?

(c) Is it a fact that the offices of the Military Accountant General and the Military Finance Branch are the accounts and financial advisers of the portions of Army Headquarters offices staying at Simla during the winter months and not only of the portions moving down to Delhi?

(d) Is it a fact that the clerical establishments of Army Headquarters, who are left at Simla during the winter months from year to year have represented to their officers from time to time the hardships imposed upon them by the rigours of Simla winter, the adverse effect produced upon their health by permanent stay in a cold climate to which they are not used, and the financial loss suffered by them in sending their families to the plains during the extremely cold winter months and maintaining two establishments during that period?

(e) Is it a fact that a deputation of the clerical establishments of the Master General of Ordnance Branch represented to the head of their office in 1931 about the hardships suffered by them on account of permanent stay at Simla year after year, and that moving strength was fixed for that Branch for the first time in 1931?

(f) Is it a fact that in the Master General of Ordnance Branch the move of sections of that Branch has been so arranged each year since 1931 as to afford opportunity to different members of the establishments to move down to Delhi by turn as far as practicable within the small quota of moving strength fixed for that Branch?

(g) Is it a fact that the office of the Royal Air Force which moves down to Delhi *in toto* every year was originally permanently located at Ambala and that the moving strength of the Branches of Army Headquarters has also varied at different times since 1925?

(h) Is it a fact that two officers of the Engineer-in-Chief's Branch moved down to Delhi in October for the winter months without any section of the office, leaving the whole office at Simla?

(i) Is it a fact that the Engineer-in-Chief, Army Headquarters, considers the splitting of his office as administratively inconvenient and for that reason has not utilised the moving strength fixed for his office?

(j) Is it a fact that in the Adjutant General's Branch the Recruitment Section which regularly moved down for many years has this year been left at Simla and Pay and Pensions Section brought down to Delhi instead, and that a portion of the moving strength of clerical staff fixed for that Branch has remained unutilised as a result of rigid application of the limit imposed in respect of both officers and clerks?

**Mr. G. R. F. Tottenham:** The Honourable Member's information is substantially correct except on the following points.

Part (a). It is not a fact that no limit is imposed in practice on the moving strength of the Offices of the Military Accountant General and the Military Finance Branch, but the limit in their case is determined by different considerations.

Part (f). It is not a fact that the moving strength of the Office of the Master General of the Ordnance is determined by the desire to give every one a turn in Delhi. Administrative considerations are the prevailing factor.

Part (g). It is not a fact that the Headquarters of the Royal Air Force were originally located at Ambala. They were there for a period of three years only, but their original location was at Simla.

Part (h). It is not a fact that the two officers in question were not accompanied by any section of the office.

Part (j). It is not a fact that a portion of the moving strength of the Adjutant General's Branch has remained unutilised.

#### MOVE OF THE ARMY AND ROYAL AIR FORCE HEADQUARTERS' OFFICES BETWEEN SIMLA AND NEW DELHI.

1298. \*Mr. S. G. Jog: (a) Is it a fact that under the present system of move certain sections of the Quartermaster General's Branch are split up between Simla and Delhi and that similar splitting up exists in other Branches of Army Headquarters also?

(b) Is it a fact that the whole office of the Director of Army Audit, which was previously permanently located at Simla for several years, was allowed to move down to Delhi for the winter months in 1932 and that the question of restriction on moving strength did not arise on account of this office being classified as a "civil" office?

(c) Is it a fact that a system of daily Dak Boxes by rail exists to enable transmission of files, etc., between portions of Army Headquarter offices split up between Simla and Delhi for the winter months and that urgent matters are settled by telephonic communication?

(d) Is it a fact that in order to escape Simla winter a considerable number of clerks left at Simla proceed on leave subject to restrictions imposed by the system of leave reserve, whereas a very small number of clerks proceed on leave from Delhi? Will Government please state the total number of clerks who proceeded on leave, other than casual, during the winter months of 1932 from Simla and Delhi respectively?

(e) Is it a fact that arrangements are made to move British troops to hill stations by turn even during the limited period of their service in India to avoid an adverse effect on their health on account of the hot climate of the plains to which they are not used?

(f) Do Government propose to examine the whole question of move from Simla to Delhi for the winter months of offices of Army and Royal Air Force Headquarters and the allied offices of the Military Accountant General and the Military Finance Branch with a view to devising an equitable system of move by rotation either of complete offices or self-contained parts thereof subject to provision for any administrative convenience considered essential? Do they also propose to consider the question of granting adequate compensatory allowance to all members of the clerical staff who may be left at Simla, under the system of move adopted by Government?

\*Mr. G. R. F. Tottenham: (a) to (e). The information of the Honourable Member is substantially correct, except that the move of the whole office of the Director of Army Audit to Delhi in 1932-33 was not in any way due to the fact that it is a civil office. A statement is laid on the table giving the information asked for in the second half of part (d), but it must be remembered that the greater portion of the establishment remained in Simla for the cold weather and so the number of clerks who take leave from that place must naturally be greater than the number who take leave from Delhi.

(f) Government have repeatedly examined the question and they are at present again examining the whole question of the Delhi and Simla

allowances. It would no doubt be convenient if all the establishments of Army Headquarters could move to Delhi, but this is impossible for financial reasons. Meanwhile the selection of officers and clerks to move to Delhi must be determined by considerations of administrative efficiency and not according to the convenience of individuals. It is obviously more important to have some of the offices in Delhi than it is to have others and so a system of rotation would be impossible.

*Statement showing the number of clerks in offices of Army and Royal Air Force Headquarters who proceeded on leave during the winter of 1932-33 from Simla and Delhi.*

Office.	No. of clerks who proceeded on leave from		Remarks.
	Simla.	Delhi.	
G. S. Branch . . . . .	19	24	
A. G.'s Branch . . . . .	4	3	
Q. M. G.'s Branch . . . . .	26	14	
M. G. O. Branch . . . . .	28	1*	* Only 25 clerks moved to Delhi.
E.-in-C.'s Branch . . . . .	22	0†	† Only 16 clerks moved to Delhi.
M. S. Branch . . . . .	} These offices moved down to Delhi in their full strength.		
A. M. S. (P) . . . . .			
R. A. F. Headquarters . . . . .			
	99	42	

#### TRANSFERS OF THE STAFF IN THE POSTS AND TELEGRAPHS DEPARTMENT.

1299. \*Mr. S. G. Jog: Has the attention of Government been drawn to a letter under the caption "Irregularity in Patna Telegraph Sub-Division", published in *The Advance* of the 31st October, 1933? If so, is it not a principle of Government to discourage unnecessary transfers of the staff in the Posts and Telegraphs Department?

The Honourable Sir Frank Noyce: As regards the first part of the question, Government have seen the letter referred to but as it is anonymous no attention has been paid to it. The reply to the second part of the question is in the affirmative.

#### SUPPLY OF WARM CLOTHINGS TO THE TELEGRAPH LINE STAFF IN THE PATNA POSTAL DIVISION.

1300. \*Mr. S. G. Jog: (a) Will Government be pleased to state whether it is a fact that warm clothings are not supplied to Telegraph Line staff in the Patna Division, while that boon is enjoyed by out-door postal staff since long? If so, what is the reason for this differential treatment?

(b) Is it a fact that the Telegraph line staff have to perform more arduous duties than the out-door postal staff, such as construction of lines, removal of faults by climbing posts, and going on foot for miles together? If so, do Government propose to sanction warm clothings for the Telegraph line staff in the Patna Division?

(c) Is it a fact that umbrellas are supplied only to out-door postal staff and not to Telegraph line staff in the Patna Division? If so, do Government propose to sanction it for them? Is it not a fact that they have to perform their duties during rains as also during the scorching sun?

**The Honourable Sir Frank Noyce:** Government have no information, but the matters referred to are within the competence of the Head of the Circle to whom a copy of the question is being sent.

#### PROTECTION TO THE COTTON HOSEERY INDUSTRY.

1301. \***Mr. J. Ramsay Scott:** In view of Government's reply given on the 21st November, 1933 to part (b) of my starred question No. 1069, namely:

"What the Tariff Board said in their Report of January, 1927, was that no justification had been established for the special treatment of the hosiery industry and that they were unable to recommend that hosiery should be treated in any way differently from piece-goods."

- (a) will Government please explain why hosiery was treated differently from piece-goods;
- (b) was it not the Tariff Board's intention to protect hosiery to the same extent as piece-goods?

**The Honourable Sir Joseph Bhore:** (a) and (b). Government do not consider that the finding of the Tariff Board in respect of hosiery in their Report of 1927, read with their recommendation regarding cotton piece-goods, justifies the interpretation that if it were subsequently found necessary to afford substantive protection to the cotton textile industry in respect of piece-goods similar protection should necessarily be given to the hosiery industry.

#### AMOUNT SANCTIONED FOR THE PROSECUTION OF MAULANA ISMAIL GHUZNavi.

1302. \***Shaikh Sadiq Hasan:** (a) Will Government be pleased to state what amount they have sanctioned for the prosecution of Maulana Ismail Ghuznavi in connection with the case of Deputy Commissioner of Police, Bombay, *versus* Maulana Ismail Ghuznavi? )

(b) If Government did sanction some amount for the prosecution of Maulana Ismail Ghuznavi, and as the case is a private one, do Government in the interests of justice propose to help the defendant, Maulana Ismail Ghuznavi as well?

**The Honourable Sir Harry Haig:** (a) The Government of India have not sanctioned any amount for the prosecution of Maulana Ismail Ghuznavi.

- (b) Does not arise.

#### REPRESENTATIVE OF THE GOVERNMENT OF INDIA IN AUSTRALIA TO LOOK AFTER THE INTERESTS OF INDIANS.

1303. \***Shaikh Sadiq Hasan:** Will Government be pleased to state if they have got any representative in Australia to look after the interests of the Indians there? If not, to whom should Indians make representations?

**Mr. G. S. Bajpal:** The answer to the first part of the question is in the negative. As regards the second part, Indians resident in Australia can make representation to the Dominion Government. If they should approach the Government of India in regard to any matter affecting the community Government will give it most careful consideration.

#### PRESENT CONDITION OF HEALTH OF STATE PRISONER MONORANJAN GUPTA.

1304. \***Mr. S. C. Mitra:** (a) Will Government please state the present condition of health of State Prisoner Sjt. Monoranjan Gupta?

(b) Is it a fact that for over a year he has been suffering from constant pain in the back part of his head?

(c) Has that pain in his head been developing paralysis?

(d) Is he now practically bed-ridden?

(e) How is he being treated at present and what is the diagnosis of his disease?

**The Honourable Sir Harry Haig:** (a) and (b). In the month of August, the State Prisoner complained of some pain in the head, but except for some eye trouble, for which glasses have been prescribed, and a mild attack of malaria in October, he has been and is keeping good health.

(c) and (d). There is no foundation at all for these suggestions.

(e) Does not arise.

#### OFFICE HOURS OF THE GOVERNMENT OF INDIA SECRETARIAT AND ATTACHED OFFICES.

1305. \***Mr. S. C. Mitra:** (a) Will Government please state what are the timings fixed generally for attending and leaving offices of the Secretariat and Attached Offices?

(b) Is it a fact that the staff of certain departments have been ordered to attend office at 10 A.M. instead of 10-30 A.M.? If so, (i) what are the names of those departments, and (ii) will the staff of those departments be paid some extra allowance for this overtime?

(c) If the reply to part (b) (ii) is in the negative, why are the staff of those offices asked to attend half an hour earlier than the actual timing fixed for the departments by Government?

(d) Are not Government acquainted with the usual time for taking meals by Indians?

(e) If they are aware why do they fix 10 A.M. for the Indian staff to attend office ordinarily?

**The Honourable Sir Harry Haig:** (a) to (e). The question of office hours is, within limits, one for each Department to decide for itself, but generally the prescribed hours of work in the Secretariat are from 10-30 A.M. to 4-30 P.M. except on Saturdays when the hours are usually from 10-30 A.M. to 2 P.M. The office hours in the Army Department have been from 10 A.M. to 4 P.M. for some time. Departments sometimes find it necessary temporarily to extend their office hours in the exigencies of the public service. When this is necessary there is no question of paying any allowance, for the whole time of a Government servant must be regarded as at the disposal of the Government.

**QUALIFICATIONS OF THE SUPERINTENDENT OF MANUFACTURE, CLOTHING FACTORY, SHAHJAHANPUR.**

1306. \***Mr. M. Maswood Ahmad:** Will Government be pleased to state what are the technical and other qualifications of the Superintendent of Manufacture, Clothing Factory, Shahjahanpur?

**Mr. G. R. F. Tottenham:** He is a business man with experience and knowledge of tailoring acquired in civil life. He organised and held charge of a number of clothing factories in India for some nine years before he was appointed to his present post.

**Mr. M. Maswood Ahmad:** Has he got any certificate of that knowledge?

**Mr. G. R. F. Tottenham:** I do not know whether he has any certificates or not.

**Mr. M. Maswood Ahmad:** Will Government be pleased to state what are the technical and other qualifications which he has got?

**Mr. G. R. F. Tottenham:** I am not aware what actual degrees in tailoring are granted.

**Mr. M. Maswood Ahmad:** Will the Honourable Member be pleased to inquire from the Department whether the officer has got any certificate or degree?

**Mr. G. R. F. Tottenham:** He has got practical experience which is sufficient for us.

**Dr. Ziauddin Ahmad:** Did he have any experience in managing any factory before he was given this charge?

**Mr. G. R. F. Tottenham:** He organised and held charge of a number of clothing factories in India for some nine years before he was appointed to his present post.

**Mr. Lalchand Navalrai:** May I know what salary he gets?

**Mr. G. R. F. Tottenham:** Rs. 1,550, I believe.

**Mr. Lalchand Navalrai:** It is too much without a certificate.

**RICE IMPORTED INTO, AND EXPORTED FROM, INDIA.**

1307. \***Mr. M. Maswood Ahmad:** Will Government please state:

- (a) the quantity of rice (i) imported into, and (ii) exported from India during the last five years;
- (b) the revenue collected by them from export duty on rice during the last five years?
- (c) the rate of export duty on rice in Siam, etc.?

**The Honourable Sir George Schuster:** (a) and (b). The Honourable Member will find the information which he requires in the Accounts of the Sea-borne Trade of British India, copies of which are in the Library.

(c) A statement is laid on the table.

## **EXPORT DUTY ON RICE.**

Indo-China—

The rates of export duty in Indo-China from 30th September, 1933 together with their rupee equivalents per maund calculated on the basis of the average declared values of different classes of rice exported abroad from India in October 1933 are shown below:—

			Per Maund. Rs. A. P.
			from 0 1 8
1. Paddy and rice cargo containing more than 33 per cent. paddy.	8 per cent. <i>ad valorem</i>	the value being determined on the average rice prices in Saigon market during the previous three months.	to 0 2 4
2. Rice cargo containing less than 33 per cent. of paddy.	6·4	" " " "	from 0 1 10 to 0 2 2
3. White rice . . .	4·5	" " " "	0 1 7
4. Broken rice . . .	3·75	" " " "	0 0 9
5. Low Rice Flour . . .	3·2	" " " "	0 0 3

**Mr. M. Maswood Ahmad:** Certainly some of these documents will be in the Library, but will it not be possible for the Government to lay these on the table, because these are not very large?

**The Honourable Sir George Schuster:** My intention was to make the Honourable Member do a little work for himself.

**Mr. M. Maswood Ahmad:** So many papers are supplied to us daily and so many Bills and notices of amendments we get daily that it is very difficult for us to spare the necessary time for consulting these books.

**Dr. Ziauddin Ahmad:** May I point out the meaning underlying my friend's question? It is that Government attempt to levy an export duty without trying to find out whether such export duty is levied in any other country, and what would be the effect of export. That is the question and I always said that the Finance Department was hopeless in this respect.

**The Honourable Sir George Schuster:** My Honourable friend will not expect me to answer the last sentence. My Honourable friend, when he sees the statement which is laid on the table of the House, will find that we have very accurate information as to what the export duty on rice from Siam is?

**Mr. M. Maswood Ahmad:** May I know whether the revenue collected from the export duty on rice will also be found in that book for five years?

**The Honourable Sir George Schuster:** Yes, Sir.

#### COUNTRIES CONSUMING INDIAN RICE.

1308. \***Mr. M. Maswood Ahmad:** Will Government please state which countries are the principal consumers of Indian rice?

**The Honourable Sir George Schuster:** The Honourable Member will find the information in the Accounts of the Sea-borne Trade of British India, copies of which are in the Library.

#### EXPORT DUTY ON RICE.

1309. \***Mr. M. Maswood Ahmad:** (a) Is it a fact that the export duty on rice is a central subject?

(b) Is it also a fact that the Provincial Governments have no power either to reduce the export duty on rice or to impose a protective duty on it?

**The Honourable Sir George Schuster:** (a) and (b). Yes.

**Dr. Ziauddin Ahmad:** Have Government any proposal to reduce the export duty on rice or abolish it altogether?

**The Honourable Sir George Schuster:** My Honourable friend must wait and see.

**Dr. Ziauddin Ahmad:** I should also like him to tell me whether the Finance Member, in the course of his official duties, ever reduced the duties or taxes on anything whatsoever.

**The Honourable Sir George Schuster:** Yes. The Finance Member, and the present Finance Member, reduced the export duty on rice in 1930.

**Mr. M. Maswood Ahmad:** Is it a fact that Government have got more interest in cotton, sugarcane and wheat than in rice?

**The Honourable Sir George Schuster:** No, Sir. I do not know from where my Honourable friend draws that assumption.

**Mr. M. Maswood Ahmad:** Is it a fact or not that information about cotton is published weekly in the Gazette of India?

**The Honourable Sir George Schuster:** I do not know to what my Honourable friend refers, but he will find all the information on this subject in the volumes to which I have referred him.

**Mr. M. Maswood Ahmad:** I want to know whether it is a fact or not that information about cotton is published every week in the Gazette of India?

**The Honourable Sir George Schuster:** I really do not know to what my Honourable friend refers or what the implication of his question is. If he desires Government to publish in a convenient form some record summarising the position as regards rice, I shall be very glad to consider that with my Honourable colleague, the Commerce Member.

**Mr. M. Maswood Ahmad:** I am very thankful for this undertaking.

#### EXPORT DUTY ON RICE.

1310. \***Mr. M. Maswood Ahmad:** (a) Is it a fact that the Government of India have never appointed any committee to consider the question of raising the price of rice in India?

(b) Is it also a fact that up till now no committee has ever reconsidered the question of the continuation of the export duty on rice since it was first imposed?

(c) Will Government please state whether they have ever considered the steps taken and measures adopted by the Governments of foreign countries to raise the price of rice?

(d) Do Government keep in view the quantity of rice which is produced in other countries at the time they consider continuing the export duty on rice?

(e) Do Government propose to set up a committee of experts and Members of this House to fully consider and report on this question of the abolition of export duty on rice?

(f) Do Government propose to convene a conference of the representatives of the Governments of the rice-producing provinces and of the representatives of the people in this House to consider the question of helping the rice-growing population of India?

**The Honourable Sir George Schuster:** (a), (b) and (d). Yes.

(c) No.

(e) No. I would however refer the Honourable Member to what I said in paragraph 37 of my Speech introducing the Budget for 1930-31 when proposing a reduction in the export duty on rice. The further reduction or abolition of the duty must depend on our financial position.

(f) No, but the Honourable Member may like to know that, as a result of consideration by a special committee of the Imperial Council of Agricultural Research in 1930, a number of co-ordinated schemes designed to increase the efficiency of rice production and reduce its cost was formulated and these schemes, on which about Rs. 11½ lakhs are being spent over a 5-year period, are in progress in seven Provinces covering the principal rice tracts.

**Mr. M. Maswood Ahmad:** Is it a fact that the Conference of the Agricultural Council was held in 1930? Am I correct?

**The Honourable Sir George Schuster:** My Honourable friend is perfectly correct. That is what I said just now.

**Mr. M. Maswood Ahmad:** Do Government propose to hold another Conference of the provinces where rice is produced, because the previous Conference was held three years ago?

**The Honourable Sir George Schuster:** I think my Honourable friend, who represents the Department of Education, Health and Lands, will be able to answer that question.

**Mr. M. Maswood Ahmad:** Any Member may reply. I have no objection.

**Mr. G. S. Bajpai:** Government have no intention of convening any such Conference, because the Advisory Board of the Agricultural Research Council which meets annually and also the Governing Body of the Agricultural Research Council review the progress of the schemes which were agreed upon in 1930.

**Mr. K. C. Neogy:** Is it a fact that India has been displaced from the foreign markets in Asia and Europe in respect of rice export during the last few years to a considerable extent?

**Mr. G. S. Bajpai:** I believe that within the last year or two there has been some displacement of the Indian exporter in the foreign markets.

**Diwan Bahadur A. Ramaswami Mudaliar:** With reference to part (c) of this question, are Government aware that the Federated Malay States are reported to have recently levied an import duty on rice going from India?

**Mr. G. S. Bajpai:** The Federated Malay States have recently passed a law imposing an import duty on rice not only from India but from all countries.

**Mr. R. S. Sarma:** Is it a fact that within the last 15 days the Government of His Exalted Highness the Nizam has levied a similar import duty on Madras rice?

**Mr. G. S. Bajpai:** I am afraid I am not in a position to say what action has been taken by the Government of His Exalted Highness the Nizam of Hyderabad.

**Raja Bahadur G. Krishnamachariar:** Is it not a fact that the Customs Department there has been in existence for the last 80 years and do invariably levy an import duty not only from Madras, but from anywhere else in India?

**Mr. G. S. Bajpai:** My Honourable friend's previous experience of Hyderabad enables him to answer the question better than I.

**Mr. M. Maswood Ahmad:** Do Government propose to hold a Conference of at least the Members of the Assembly, who represent these provinces, to discuss this question?

**Mr. G. S. Bajpai:** I would suggest to my Honourable friend that he had better hold the Conference himself first and then, as a result of its deliberations, we can consider whether a Conference is necessary.

**Mr. M. Maswood Ahmad:** Do Government authorise me to convene this Conference on their behalf?

**Mr. G. S. Bajpai:** Not on behalf of the Government. My Honourable friend's authority is so great that I have no doubt his summons will be duly observed.

**Mr. M. Maswood Ahmad:** Are Government aware that I had a consultation on this subject of the kind that he proposes?

**Mr. G. S. Bajpai:** I hear that, Sir, for the first time.

**Raja Bahadur G. Krishnamachariar:** May I know if this report of the Council of Agricultural Research is available to the public?

**Mr. G. S. Bajpai:** I do not know as to how much information on the subject has been given to the public, but I shall obtain it from the Council and supply it to the Honourable Members of the House.

**Raja Bahadur G. Krishnamachariar:** I was talking of the report as well. I was wanting to know what was the scheme spread over a number of years upon which Rs. 11½ lakhs are spent every year.

**Mr. G. S. Bajpai:** I shall obtain the report, Sir, and an account of the progress made in giving effect to that report.

**Mr. K. C. Neogy:** With regard to the displacement of Indian rice, as admitted by the Honourable Member just now, has his Department examined the position so as to find out what factors may have contributed to it?

**Mr. G. S. Bajpai:** Sir, the fact of the displacement was brought to my notice recently and I regret I am not in a position to state what examination has been conducted departmentally; but I will find out.

**Mr. K. C. Neogy:** May I expect that the bearing which the export duty may have upon this particular question will also be examined by his Department?

**Mr. G. S. Bajpai:** I think that particular point needs no profound examination.

#### PROTESTS AGAINST THE FIRING IN PALESTINE.

1311. \***Mr. M. Maswood Ahmad:** (a) Will Government please state whether they have received a telegram from the President of the Jamiat-ul-Ulema-i-Hind, Delhi, protesting against the firing in Palestine on peaceful Arabs?

(b) Have they also received a copy of the resolution passed by the Khilafat Committee in this connection?

(c) Will Government be pleased to state the number of telegrams, letters and copies of resolutions received by them, protesting against the firing in Palestine?

**Mr. H. A. F. Metcalfe:** (a) No.

(b) It is not clear what Khilafat Committee is referred to. Government have hitherto received only one telegram and one resolution from the Secretaries of the Khilafat Committees in Lahore and Nawabshah in Sindh, respectively.

(c) Seven telegrams and seven resolutions.

**Mr. M. Maswood Ahmad:** Do Government propose to inform the Secretary of State for India of the feelings of the Indian Mussalmans in the matter of the firing in Palestine?

**Mr. H. A. F. Metcalfe:** Copies of all telegrams and resolutions received will certainly be sent to His Majesty's Government for information.

**Bhai Parma Nand:** May I ask the Honourable Member to let us know what the purport of the resolution, referred to in the answer to clause (d), is?

**Mr. H. A. F. Metcalfe:** I have not got the resolution with me, but if it is required, a copy can no doubt be laid on the table.

#### LEVY OF WATER METER RENT ON THE OCCUPIERS OF GOVERNMENT QUARTERS IN NEW DELHI.

1312. \***Mr. M. Maswood Ahmad:** (a) Is it a fact that the New Delhi Municipal Committee have notified that meter rent at Re. 1 per meter per month for all water meters in buildings belonging to Government, will be charged with effect from the 1st October, 1933, from the residents of bungalows and quarters in New Delhi?

(b) Will Government kindly give the cost of a water meter of the type installed by the New Delhi Municipal Committee?

(c) Will Government kindly say whether it is the intention of the Municipal Committee to charge the rent for an indefinite period or only till the cost thereof is realised?

(d) Will Government please give the water charges for the unlimited supply of water in Government quarters, New Delhi, prior to the installation of the water meters, and what is the present scale of charges?

**Mr. G. S. Bajpai:** (a) Yes.

(b) Rs. 50.

(c) The present intention is to charge this rent permanently. The amount does not even cover the charges on maintenance, depreciation and replacement.

(d) A statement is laid on the table.

#### *Statement.*

##### A. Water rate prior to installation of meters in orthodox clerks' quarters—

Class of quarter.	Number of taps allowed.	Rate.	Rs. A. P.
A. . . . .	3	3 0 0	
B. . . . .	2	2 0 0	For every tap in excess of the fixed
C. . . . .	2	2 0 0	scale, a charge of
D. . . . .	1	1 8 0	Re. 0.8-0 per men-
E. . . . .	1	1 8 0	sem was levied.

##### B. Water rate after installation of meters—

(1) Rs. 1-8-0 up to 4,000 gallons of water consumed in a month. Above this Re. 0-6-0 per 1,000 gallons.

(2) Re. 1 per mensem for meter rent.

**LEVY OF WATER METER RENT ON THE OCCUPIERS OF GOVERNMENT QUARTERS IN NEW DELHI.**

**1313. \*Mr. M. Maswood Ahmad:** (a) Is it not a fact that the water meters were installed by the New Delhi Municipal Committee on their own initiative without any demand on the part of the residents?

(b) Is it not also a fact that the New Delhi Municipal Committee is already charging excess water tax for excess water consumed by the residents in Government quarters of New Delhi?

(c) If the replies to parts (a) and (b) be in the affirmative, do Government propose to consider the advisability of not putting an additional burden on these residents by way of the water meter rent?

**Mr. G. S. Bajpai:** (a) The meters were installed in the interests of the general public in order to prevent the wastage of water.

(b) A charge of Rs. 1.8 per mensem is made for all quantities up to 4,000 gallons. For every additional 1,000 gallons, an extra charge of As. 6 a thousand gallons is made.

(c) Meter rent was charged by Government for premises in which these were installed, before the water supply was transferred to the New Delhi Municipality, but was included in the House Rent. The transfer necessitates the charge for the meter to be levied separately, as municipal rates are not included in the house rent. The New Delhi Municipality has met the cost of installing meters in quarters which were not formerly equipped with them out of a loan which it has to repay. The Municipality is also responsible for the maintenance and replacement of these meters. Government do not, therefore, think it reasonable that the Municipality should charge no rent for these meters.

**Mr. Lalchand Navalrai:** May I know from the Honourable Member if there is any truth in the report that this water is being wasted?

**Mr. G. S. Bajpai:** As a matter of fact, I answered a question on that subject in the Simla Session and stated that the wastage amounted to half a million gallons a day.

**Mr. Lalchand Navalrai:** May I know if it is a fact that occupiers of these quarters are not being charged any meter rent so far as the electricity, that is supplied to them, is concerned?

**Mr. G. S. Bajpai:** If my Honourable friend suggests that rent should also be charged for the electric meter, I am quite prepared to pass the suggestion on to the Municipality.

**Mr. Lalchand Navalrai:** May I inform the Honourable Member that formerly the Municipality was charging such meter rent, but that, then, subsequently, protests were made, better sense prevailed and they let that go. Is the Honourable Member prepared to make a recommendation to them that the water meter rent also should be taken off?

**Mr. G. S. Bajpai:** Sir, the fact of the matter is that the Municipality, to whom the distribution of electricity has recently been transferred, thought that it would be well for the time being to hold their hands as

regards the electric meters, for which a charge was included in the house-rent before the meters were transferred to the Municipality. The Municipality do not admit, nor do Government admit, that, legitimately, a charge is not due for the electric meters.

**Mr. Lalchand Navalrai:** I would like to know from the Honourable Member as to whether there have been any protests made by the subordinate staff that they are being overburdened, and is it not a fact that the Government have been doing so much service to this new Municipality that they are being given loans and the Government are not even getting any interest from them?

**Mr. G. S. Bajpai:** Sir, my Honourable friend asks: "Have Government received protests?" Well, I understand that in a certain Department a protest has been received, but as I tried to make clear in my answer, this is an entirely business matter. The Municipality has been advanced a certain sum of money as a loan and I will refresh my Honourable friend's memory as to what he had to say in the Standing Finance Committee during the Simla Session. We are now trying to recover from the Municipality the money that has been advanced, and they cannot repay it unless they levy a charge for these meters.

**Mr. Lalchand Navalrai:** Does the Honourable Member realise the business point of view of the subordinates also, and will Government increase their pay or their allowances?

**Mr. G. S. Bajpai:** Sir, I do not think, in these days of retrenchment, any Government would think of increasing the pay of their staff. My Honourable friend is aware of the cut in pay in force. I took steps to ascertain what the position in other Municipalities is and I found that in other municipalities the rent is two rupees per meter as against one rupee which this Municipality is charging.

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**Mr. M. Maswood Ahmad:** Sir, I beg to withdraw starred question No. 1314.

**Mr. Vidya Sagar Pandya:** Is it open to any Member to withdraw a question? How much notice is required for withdrawing a question?

**Mr. President** (The Honourable Sir Shanmukham Chetty): A Member may withdraw a question at any moment without any notice.

**Mr. Vidya Sagar Pandya:** Do the Government require ten days' notice for an Honourable Member to put in a question?

**Mr. M. Maswood Ahmad:** Sir, as Members are so much anxious to know the facts in connection with this question, I hope the question may be allowed to stand and the answer may be given.

**Mr. President** (The Honourable Sir Shanmukham Chetty): That cannot be allowed.

### DEPRECIATION OF AMERICAN DOLLAR.

1815. \***Mr. M. Maswood Ahmad:** (a) Have Government considered whether, due to the depreciation of American dollar there is a prospect of the dumping of American products into this country? Are Government aware that this will affect the export of Indian products as well?

(b) Are Government aware that even the depreciation of the yen did not create so much consternation in the minds of the Indian people as has this dollar depreciation?

(c) Are Government aware that the new situation will make it rather impossible for the Indian agriculturists to sell their products even at a loss, as the markets are threatened to be flooded by American products?

(d) What steps do Government propose to take in order to safeguard India's interests in this connection and to save the agriculturists of this country from utter ruin?

**The Honourable Sir George Schuster:** (a) Government fully appreciate the possible reactions of the sudden depreciation of the currency of a country which exports goods either to India or in competition with India in foreign markets. The extent of such reactions however must depend on various factors and it is possible that the effects of currency depreciation in any country may be reflected rather in a rise in its internal price level expressed in terms of its own currency than in a fall in the price level of its exports in foreign currencies. As Government have no information as to the probable course of American policy in this matter, it is not yet possible to say what the effects of any such policy on the exports of Indian products may be.

(b) This is a matter of opinion, but Government have no reason to suppose that this is an accurate account of the position.

(c) and (d). Government are watching developments but do not consider that so far the situation requires any immediate action.

### MOTION FOR ADJOURNMENT.

**SECRETARY OF STATE FOR INDIA'S EVIDENCE BEFORE THE JOINT PARLIAMENTARY COMMITTEE RE INDIA'S RIGHT OF RETALIATION IN HER RELATIONSHIP WITH THE DOMINIONS AND COLONIES OF THE BRITISH EMPIRE.**

**Mr. President** (The Honourable Sir Shanmukham Chetty): I have received a notice from Mr. B. Das that he proposes to ask for leave to make a motion for the adjournment of the business of the House today for the purpose of discussing a definite matter of urgent public importance as follows:

"The evidence tendered by the Secretary of State for India before the Joint Select Committee in London on November 7th denying India the right of retaliation in her relationship with the Dominions and Colonies of the British Empire."

I have to inquire whether any Honourable Member has any objection to this motion.

**The Honourable Sir Brojendra Mitter** (Leader of the House): Sir, I have no objection.

**Mr. President** (The Honourable Sir Shanmukham Chetty): As no objection has been taken, I declare that leave is granted, and the motion will be taken up for discussion at 4 P.M.

## THE RESERVE BANK OF INDIA BILL.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of amendments Nos. 29 and 32 on the Order Paper moved by Mr. S. C. Mitra\* and Mr. Sitakanta Mahapatra.†

**Mr. Goswami M. R. Puri** (Central Provinces: Landholders): Sir, much has already been said by Mr. Mahapatra and Mr. Bhuput Sing on the question that everybody should get an opportunity of taking shares of the Reserve Bank. Government only want that they should be able to get the amount they want and it is immaterial for them whether the amount so raised comes from the capitalists or from poor peasants or from other persons. Sir, if this amendment is not accepted, we are afraid that the capitalists will capture the Bank because, as we know, the money is at present deposited at the rate of four per cent. and everyone would like to take advantage of one or two per cent. more in interest. It is the most reasonable amendment and I appeal to the Honourable the Finance Member to oblige the poor peasants of this country by accepting this amendment and giving every facility to all the people of the country.

**Sir Cowasji Jehangir** (Bombay City: Non-Muhammadan Urban): Mr. President, up to now only one side of the picture has been placed before the House and I think it is but reasonable that the other side of the picture should also be shown before it comes to a decision on the matter. It is always unwise to take steps or to make provisions in a Bill to reduce the value of the shares artificially and this restriction is bound to have this effect. My Honourable friends contended that their amendment was in the interests of the poorer investor and that they were anxious that the shares should not be concentrated in the hands of what they were pleased to call the capitalists.

Now, Sir, my young friend from Orissa, who has already made his maiden speech and, I believe, this was his second oration before the House, seems to have rather exaggerated ideas about the wealth of this country and I would like to point to him that he has rather a vivid imagination as to what is going to happen in this country when the Reserve Bank Act comes into force. Sir, I do not really believe that there is going to be such a tremendous demand for these shares as is imagined by some of my Honourable friends, and to place restrictions of this character on the shares will do more harm and will cause more inconvenience to the poorer investors than these so-called capitalists. You must remember that it is hoped that these shares will be as good as gilt-edged securities and one of the objects of investing money in gilt-edged securities is that you can always raise money in India on Government securities at a moment's notice, and the middle class men who will invest in these shares will do so with the hope of being able to raise money on them on certain occasions when money is required by the family at low interest and at short notice. That is one of the objects with which the middle class men will invest in a security of this kind. If you restrict people from buying these securities, you will

\*“That in sub-clause (2) of clause 4 of the Bill, after the words ‘transferable from one register to another’, the words ‘and no person shall be allowed to have more than two hundred shares’ be added.”

†“That to sub-clause (2) of clause 4 of the Bill, the following be added at the end : ‘and no person shall be allowed to hold more than fifty shares at any time’.”

[Sir Cowasji Jehangir.]

naturally find that the prices of these securities will be lower than they would otherwise have been, and that the Banks will ask for a larger margin than they would otherwise be inclined to do and if all the so-called capitalists have got their due share and none of them are in the market to buy, the Banks will be very chary in lending money at all, and the very object which my Honourable friends have in view will be frustrated. Sir. I do not understand how Banks will be able to lend money at all in certain circumstances if this amendment is carried, because Banks will have a certain amount already in their names—Rs. 20,000 worth which is only a flea bite—and if they are going to lend money on more, they will require those shares to be transferred to the name of the Bank and, therefore, unable to do so under the Act, they will refuse to lend money at all. If that is the position, then my Honourable friends' object will be completely frustrated and the ordinary man will not invest in such securities at all, because he will always require money for marriages and other festivals; and, if he is not able to raise that money on these securities, he will not go in for them at all. I would ask the House to keep this aspect of the question in view before they lightheartedly go to vote on it or ask the Finance Member to accept it. Besides, is the capitalist, for the pleasure of owning these securities, going to raise their market value to such an extent as will enable him to do so? I call them securities; I put them on that level. I do not think my Honourable friends give sufficient credit for common sense to businessmen in this country. No businessman, Mr. President, is going to force up the premium on these shares unnecessarily in order to have the pleasure of holding them when he cannot even get a vote. All this talk of these shares being concentrated in the hands of a few, and all these apprehensions that have been expressed, have, in my humble opinion, no foundation.

Then, it has been suggested that if these shares are concentrated in the hands of a few, these few may be able to acquire voting power by transferring them to the names of their nominees or their supporters. But the Select Committee have included a clause in this Bill in order to prevent it, as far as it is humanly possible to do so. If my Honourable friends will refer to clause 55 of the Bill, they will see that if any such attempts are made and if caught, it becomes a criminal act liable to be punished. If people, in order to get a vote or two, are prepared to commit perjury and be punished for that crime, if found out, then my Honourable friends are putting a greater value on this vote than the public will ever attach to it. Just imagine, Sir, committing perjury in order to be able to get a vote surreptitiously. I think my Honourable friends, when they realise the meaning of this clause, will admit that the Select Committee have gone, as far as they possibly could, to prevent such malpractices as my Honourable friends believe will take place. Under the circumstances, I do appeal to my Honourable friends all round to consider whether it is worth while their forcing this amendment through the House considering it will do more damage to the class of people whom they are supposed to represent and whose interests they always voice in this House, than those whom they continually condemn as capitalists.

**Mr. Muhammad Yamin Khan** (Agra Division: Muhammadan Rural): Sir, I support the amendment moved by my Honourable friend, Mr.

Mitra. I should have supported the amendment of the other Honourable Member, but I find that there are many difficulties in supporting that amendment although I find that it is very consistent and it is more in accordance with the principle that ought to be followed by reasoning. His object is that when we allow the votes up to Rs. 5,000, why should anybody hold shares beyond Rs. 5,000. That is a logical argument and that may have been accepted on this ground, namely, that if we do not desire to sterilise any shares, we should not allow anybody to purchase shares beyond Rs. 5,000. But there are many difficulties in the way which may make one not to accept that amendment in spite of its being very logical. My Honourable friend, Mr. Mitra's amendment gives a full scope to the people about whom Sir Cowasji Jehangir has just now spoken. I know he has been very consistent and he represents the interest for which he must speak out.

**Sir Cowasji Jehangir:** No interest except that of my own constituency.

**Mr. Muhammed Yamin Khan:** He is representing the people who can invest money to an unlimited extent and he wants that they should not be deprived from putting in their money at five per cent., whatever surplus money they happen to get at a time and he wants that those capitalists may be using their money every now and then. If they find it convenient to invest it later on at ten per cent or 15 per cent they may have ready money by exchanging their shares through the Banks. Undoubtedly it is very logical for my Honourable friend to represent the case of the Bombay millowners and the capitalists in the Bombay City. But this Bill is designed, on principle, that the shares must be held by the people of India—the poor people of India—and not by a few capitalists of some big towns. If we accept the principle that the people of India are going to have interest in this Bank, then there must be a wide distribution of shares and we must stop any possibility of accumulations of these shares in the hands of a few persons in future. Following this principle, I think, even if we allow anybody to purchase shares of the value of Rs. 20,000, we will be doing a great injustice to the people who, in due course, could have been voters. Allowing even a limit of Rs. 20,000, we are sterilising Rs. 15,000, that means 150 shares are going to be sterilised beyond Rs. 5,000. That one man should sterilise 150 shares is a much greater evil than 150 people being allowed one share each and sterilising the same. I would much rather have given these 150 shares to people who applied for one share alone, so that, if their shares pass in future into the hands of people who can own five shares, they might be entitled to give one vote. But if a man has got shares of the value of more than Rs. 20,000, he is not likely to part with his shares unless he finds that he can invest that money with greater profit. My Honourable friend, Sir Cowasji Jehangir, may say that he is speaking on behalf of the poorer classes. That we have seen for a long time. We have seen agitation carried out in the country in the name of the poorer classes of India, but really they were designed to benefit a few people living in towns at the expense of the poorer classes. We have given our full consideration, and we want to know how the poorer classes will not be affected if we make the limit beyond Rs. 20,000. May I ask him, how a man, who is holding Rs. 500 worth of shares, will be stopped from selling these or mortgaging these at a time of necessity? A Bank can always advance money to a person holding good security such as the shares in the Reserve Bank. No Bank

[Mr. Muhammad Yamin Khan.]

will deny to lend him money. There will be a big market, because the transfer of shares can take place not only within a particular area, but it can take place throughout India. The Delhi area can sell its share to Bombay, and the Bombay area to Calcutta, and so on. There will always be a big market ready to purchase shares. People who have some saving will be willing to invest that in the shares of the Reserve Bank. It is an unnecessary apprehension which my Honourable friend, Sir Cowasji Jehangir, has shown on behalf of the poor investor or the middle-class man. The middle-class man would like to sell his shares to another middle-class man, but not to rich people who may like to purchase the shares even at a high premium. I may point out to my Honourable friend the reason why gold has passed out of India. The poor man who had some gold was tempted by the purchasers with a small increase in price. If people like my Honourable friend, Sir Cowasji Jehangir, want to control the Bank, and if they want the agriculturists, who hold shares, to vote only for a particular candidate on the Directorate whom the capitalists have put up, then the capitalists will put a premium on the shares and make the poor people part with their shares.

**Sir Cowasji Jehangir:** I thought the Honourable Member enunciated the wonderful principle that the middle-class man will not sell his share to the capitalists.

**Mr. Muhammad Yamin Khan:** I want that the middle-class man should not sell to the capitalists. I know that my Honourable friend would like to purchase those shares and he would like neither an agriculturist nor a man belonging to the poorer classes to hold those shares and he would like these shares to be held only by such people who would support his candidate being elected to the Directorate. But the 12 NOON. difficulty which we will experience will be the same which we are having in the case of the export of gold, because the poor man, with a little gold, thinks that if the gold which he bought for Rs. 20 can be sold for Rs. 25, he will part with it because he may repurchase it after a certain period for Rs. 20. And, with this object, if anybody, who is interested in becoming a Director, finds that there are persons holding a hundred shares who are opposed to him, he can purchase those hundred shares that will give him extra votes in becoming a Director. And those people cannot be the people who are having a particular interest, specially the interest of the agricultural classes. They can put up a little bit of premium and purchase those shares, and that man will be tempted to sell them in the hope that he may re-buy it at a lower rate in future. What I think and what I want that this Bill should contain is that these shares, once they are purchased by the middle classes, should never be parted from that class. Although they may be changing hands from one to another in the same class, they should not get out of the poorer classes or the middle class people and go into the hands of a few capitalists who may like to corner or control the whole Bank in future.

Another argument which my friend, Sir Cowasji Jehangir, has advanced is that he says that the prices will be lower in the case of those shares if a restriction is placed. Certainly, in some cases, prices will go up. Only in cases where people will put up higher prices at a particular moment when they want to capture or sterilise certain votes, when they find that

about 200 voters are against him and he can be elected if he repurchases those shares, he will put up the prices. And I do not want these fictitious prices to go up high or put as a temptation for the poorer classes to part with their shares. I want these shares to be retained by them. They may have a strong temptation only in this that they will be getting a good dividend on whatever they are saving, because they are not engaged in commerce and business. They do not know how to invest their small savings. People in the villages and in the small towns and people in the Secretariat, all these people may put their savings in any safe place where they will get interest. This temptation must be there, but not the temptation of rise and fall in prices of shares which will be only a gamble meant for the richer people and not for the poorer people. I would request the Government and the Honourable the Finance Member that this is an amendment which does not hurt the principle of the Bill at all. This is an amendment which is not going in any way to affect the underlying principles or the essential principles on which the Government can be keen or the Government may have got a particular view. This is only a question between certain classes of India. The only fear which Government can have is this that they may not be able to sell all these shares. But from what I can at least judge from the tendency in India, I can say that there is no likelihood of these shares remaining unsold even for a day. If a proper propaganda is made, if the people in the villages come to know what benefit they are going to get, if, as my Honourable friend, the Finance Member, thinks that these shares will be sold even through the post offices, I do not think there is any apprehension that these shares will not be sold. If these shares are not sold, then at any time we can say they may be kept back even for a month or two. Full publicity may be given later on. There are many poor people who have got their money invested in Government securities and Government are going to replace them in other manners. These people would like even to take their money back from one and invest the same in this Bank. So there is no likelihood of these shares remaining unsold. That apprehension, I can assure my Honourable friend, has no foundation and he should not be influenced by that. He should accept this amendment. It is only between certain classes of India and it will be in consonance with the desire which he has got in his mind and behind his whole scheme that there may be a wide distribution of shares and a larger number of people should be holding and stopping concentration into the hands of a few people who may in future like to corner this thing in order to have their own way in the banking world. So I support this amendment and I am sorry I cannot support the other amendment for Rs. 5,000 in this respect and I hope Government will also either accept this amendment or will at least remain neutral in this respect and let this be decided by the votes of the House without the Government interference.

**Mr. E. Studd** (Bengal: European): Sir, I know that when I stand up I shall be accused by the last speaker, as Sir Cowasji Jehangir was, of speaking with a capitalist taint. But I do think that, as far as shares in this Bank are concerned, it is an investment which will not appeal enormously to the European community because in any case the shares which they are going to be allowed to hold are temporary. They are going to be bound to give them up when they leave the country, and, from that point of view, it is not a particularly attractive investment. And so I think there is not the least likelihood, at any rate of the European community, trying to accumulate a large holding either to sterilise the

[Mr. E. Studd.]

shares or to get a large voting power. I should like to emphasise what my Honourable friend, Sir Cowasji Jehangir, said and I think there are many Members of this House who give the ordinary businessman far too little credit for hard-headed common sense. I believe that the thing many Members are afraid of is largely a bogey of their own imagination and I do not believe myself that there is any serious danger of individuals or a group of capitalists trying to accumulate a large holding of shares in some way or other to get sufficient votes and carry things their own way as far as the policy of the Bank is concerned. I think we are all agreed that that would be a bad thing and we are all anxious that it should not happen. The difference between us is that some people are afraid of a thing which to them is a very real danger while others do not think that it is a danger but do realise that the so-called safeguard against it which is now proposed is one which will involve dangers in other directions. I agree entirely with what my Honourable friend, Sir Cowasji Jehangir, has said with regard to the effect of such a limitation as this. But I go further than that, because I do not believe that even if this amendment is passed, it would achieve the object for which it is designed. While I quite admit that the provisions of clause 55 would be a strong deterrent, I am not by any means convinced that those provisions are watertight. I believe that if a capitalist or group of capitalists made up their minds that they were going to get shares and acquire a large voting power, it would be by no means impossible for them to devise means to keep within the law and yet to avoid the provisions of that section; and, therefore, it seems to me that this amendment would not achieve the object for which it is designed. What it would achieve undoubtedly to my mind is the very serious drawbacks on the lines indicated by Sir Cowasji Jehangir, which I think the proposer of this amendment does not realise. My Honourable friend, Mr. Yamin Khan, assured the House that there will be no difficulty in raising money if necessary on these shares. He said, the shares are "good security" and anyone would lend money against them. But would they be good security if this amendment was passed? Surely any man with ordinary business common sense, if he were asked to lend money on these shares, would want to be satisfied, to begin with, that the man who asked for the loan of that money was actually the owner of those shares, beyond all question, because there are very wide powers given to the Board under clause 55 to alter the register and, therefore, no one would look upon any such shares as quite good security against which to lend money, unless they were perfectly satisfied beforehand that there was no possible question of the register having to be altered; and I can quite conceive of cases arising in which there was a good deal of dispute. It might be that eventually the shareholder would establish his right to be on the register and to hold those shares, but supposing there was such a dispute, who is the man that is going to be hit hardest? The capitalist who knows all the ins and outs of the game and can find people to put up his own case and fight the case, or the poor man who perhaps has only got Rs. 500 invested and is suddenly faced with the fact that the man he bought it from was not entitled to have it in his own name? There will be all sorts of questions about title. It does seem to me that from that point of view this provision may hit the poor holder, the agriculturist and the middle class man very hard, much more hardly than it could possibly

hit the man who was better off. I am quite confident that this amendment would not only not achieve the object with which it has been proposed, but that it would definitely mean a great restriction in dealings in shares, which would make it most difficult for any small holder to raise money on the security of those shares; and in fact would have almost entirely the opposite effect from those which the majority of the Members of this House desire; and I would appeal to Honourable Members to give due weight to those points and not to be carried away by the fear that the well-to-do businessman would part company for the time being with his ordinary common sense. I do not believe that there is going to be such an enormous rush for these shares as some people seem to imagine; and even supposing that one or two capitalists were able to get hold of a large block and were able to acquire a certain amount of additional votes, it does not seem conceivable to me in such a large concern as a Bank of this size, with registers in various parts of the country and Directors elected from different quarters, that even then they could have any appreciable effect and could possibly make anything like a corner. I do, therefore, appeal to Honourable Members not to be carried away with the fear of possible combines by capitalists, but to remember that there is much more danger of affecting the very man whom they want to protect, if they carry this amendment, than of preventing what they are afraid of and which I personally believe is not a real danger at all. Therefore, I hope that this amendment will not be carried.

**Mr. Muhammad Anwar-ul-Azim** (Chittagong Division: Muhammadan Rural): Mr. President, I should like to say a few words on this amendment. My justification is this: that I am in some way connected with many of the Banks in my part of the country, and I think it will not be wrong for me if I said something on this motion of Mr. Mitra and of my friend, Mr. Mahapatra.

It seems to me that both these Honourable Members have altogether lost sight of the provisions of the Bill. The safeguards against the so-called cornering of shares by the capitalists have, in my judgment, been very well provided for in clauses 6 and 7 of the Bill itself. If the arrangements contemplated in the Bill are carried out, I can assure my friends on my right that, no cornering, not to speak of any speculations of these shares, would come up, at least within the first five years or six years of the Bank existence. It seems to me that if you restrict the selling or possession of shares by people in this country and if you restrict the holding up to the value of five or 20 thousands, I am afraid, it will result in the change of shares from the hands of the capitalists to the hands of the so-called middle classes; but if we leave it to the Government to see that this should be within the reach of all and should cater for every home in India, it is up to the Government to devise the means to give effect to it. In my judgment, if sub-clauses (6) and (7) of this clause 4 are properly given effect to, there can be no cornering or speculation in these shares. My friend, Mr. Mitra, and others may think that I am trying to sail on the side of the capitalists; but that is far from me; what appears to me is that my friends have not properly judged the implications of these sub-clauses (6) and (7), and if they take a proper view of these facts, they will also come to the conclusion that there cannot be accumulations of these shares in one hand. In this connection it will be pertinent, I think, for me to suggest one or two things to the Government of India; and

[Mr. Muhammad Anwar-ul-Azim.]

that is with regard to how best to make these shares popular. Various kinds of machinery exist at least in the Calcutta area from where we come, and I think it would be a very desirable thing if the Government of India should take serious note of what I am saying here. Unless and until Government try and broadcast the information that a man can purchase the shares of this Reserve Bank at the rate of Rs. 100 each through the Panchayats and Union Boards, I am afraid, these shares will remain locked up in the precincts, either of the Imperial Bank or of the Post Offices.

Then, Sir, some of my friends apprehend that these shares will not find enough purchasers if this amendment of Mr. Mitra is accepted; but I think, Sir, that if these shares are widely advertised, there will not be any dearth of buyers because I know of some institutions with which I am connected who have lots and lots of moneys locked up for want of investment, and, I am sure, if opportunities are made available to the people living in rural areas, middle class people, the artisans and the peasants, will readily purchase these shares, because they know that they are like gilt-edged securities which will be marketable and will stand them at the time of need.

Without any more repetition, I may say that wide power has already been given under sub-clauses (6) and (?) to the Central Board, and, as it appears from the very body of this Bill, there will be a majority of Indians on the Directorate, and my humble suggestion to my friends, Mr. Mahapatra and Mr. Mitra, is to go to the bottom of the whole thing and capture the Directorate, and there I think they should use their good offices in that behalf. Let the public men in this country bring these facts to the notice of the public, that the salvation of the country depends on their right selection of the Directorate, and not in clogging the movement of these shares. If the eight Directors, who will be elected, could be all Indians, even they all be capitalists, the salvation of India lay in that direction. With these few words, I regret I have to oppose these amendments.

**Mr. B. V. Jadhav** (Bombay Central Division: Non-Muhammadan Rural): Sir, I rise to support the amendment of my friend, Mr. Mitra. It is desirable that the shares of the Reserve Bank should be held by men even of moderate means, because, as my friend, Sir Cowasji Jehangir, said, these shares will be like gilt-edged securities. But the scheme provided in the clauses of the Bill makes very good provision in the case of persons who are willing to invest Rs. 500, because they will have the first chance of securing five shares and thus getting a vote for the election of the Directors. When the claims of all the persons, who are asking for shares of Rs. 500, are satisfied, then alone the claims or requests of those who ask for one, two, three or four shares will be attended to. Therefore, Sir, if the Government and the people of the country take proper care, matters can be arranged in such a way that all the shares will fall into the hands of people who are willing to invest Rs. 500 for the purchase of shares, and these shares and the votes will be very widely distributed. But, Sir, people may subscribe for shares in the beginning; but when they find themselves in difficulty and want to realise the money, they would like to sell away their shares, and at that time there must be a good demand, so that the shares could be very easily sold and sold even at some profit. The Stock Exchange in big Cities will arrange these sales, and the popularity of these shares will thereby increase. But, at the same time, Sir,

it is necessary that there should not be a very great accumulation of shares in a few hands. The danger that is apprehended by some friends is that by such accumulations the votes will be sterilised and there will be very few voters left. The anxiety on this side seems to be to catch seats on the Board of Directors. May I assure my friends that there will not be enough contest, because on every occasion the retiring Directors will get themselves re-elected; and, therefore, whatever the number of votes one may secure, ten to one he has a very meagre chance of getting into the Board if he has not got the support of the retiring Board. And when one says that by means of accumulations of shares in one hand the votes will be sterilised and a few votes will be able to win a seat in the election, it is doubtful whether this thing will come out. All the same, the Finance Member may be enjoying the fun of seeing different parties here speaking one against the other. But whatever our differences may be on other questions, I think that the opinion on this question of limiting the holding of Rs. 20,000 worth of shares has the support of a very large number of Members. There will be a few dissentients, no doubt, but their number will be very small, and I trust that Government will ultimately accept this amendment, as they did, about four or five years ago.

**Some Honourable Members:** I move, Sir, that the question be now put.

**Raja Bahadur G. Krishnamachariar** (*Tanjore cum Trichinopoly : Non-Muhammadan Rural*): Sir, I am neither a capitalist nor a businessman. I belong to that proverbially imprudent class for which we have got a joint certificate from the Royal Commission on Agriculture that the ryot is so imprudent that he does not understand what his interest is, and, as for common sense, I have got the authority of Marshall the Economist who says that mankind is generally foolish and is not expected to become wise all of a sudden when it discusses questions of economics so that if I do say anything quite unexceptional, I have got all these excuses on my side for any one to excuse me.

Sir, there is only one point that I want to be clear about. I cannot understand how, if you are restricting the number of shares that a man can hold, it is really going to affect the marketability of the shares. We will take it that, if this amendment is passed, the result is that no one individual can hold shares more than Rs. 20,000. I have got shares worth, say, Rs. 500, and when an emergency arises, I want to raise money over it. There is no doubt that up to that time this share of the Reserve Bank being almost a gilt-edged security, has a value of its own,—why? Because a man cannot hold more than Rs. 20,000 worth of shares. I cannot raise a loan on Rs. 500 worth of shares. It is really somewhat difficult for me to follow. Suppose I go to a Bank and say: "Look here, I have got Rs. 500 worth of shares in my name, and I want money very badly, will you advance me money on the security of these shares?" Why the banker, who is out to make money by lending money on interest upon good securities, should ever refuse to lend that money to me I cannot understand. On the contrary, it is a good provision that these shares should not be put into a few persons' hands. There is an old Tamil proverb which says that between the watchman and the thief the thief is the cleverer man, so that if you put one restriction, I am sure, they will find out some other way by which to circumvent the restriction and again hold the same number of shares. As regards the applicability of section 55, I should be sorry to give out what defence

[Raja Bahadur G. Krishnamachariar.]

I would make if a case like that came into Court because that puts people on the scent. Therefore, I submit that that clause is not so very perfect as my Honourable friend, Sir Cowasji Jehangir, says. It is absolutely no protection at all against any man who wants to circumvent the thing in broad daylight and yet protest that he is within the bounds of the law. One objection that has been seriously raised against this proposal is as to the marketability of these shares. Of course, the statement, the allegation is made that it is not marketable. How it will not be marketable is a thing which has not yet been sufficiently explained, as I said, to a man who lacks common sense and who lacks business or capitalist habits. I submit as my Honourable friend, Mr. Yamin Khan, pointed out that, there is no question of principle involved in it, and I am not sure, of course, subject to correction, that the Finance Member himself did not say that these shares would be like gilt-edged securities and that there would be a great demand. In fact, the whole country expects that there would be such a great demand for these shares that it would be over subscribed. After all, that is not an exaggerated position. You have got five lakhs of shares distributed throughout the length and breadth of the country, and it is absolutely inconceivable, unless the whole country has become bankrupt, that you cannot sell these shares immediately you make an announcement that the shares are on the market. I think that is a fear which is not quite proper to entertain at this time, especially as the return for the money invested is quite good compared to other investments. I, therefore, submit that the amendment of my Honourable friend, Mr. Mitra, is reasonable and that Government might safely accept it without any fear regarding marketability. As regards the amendment of my friend, Mr. Mahapatra, I think it goes very much farther, and I am not sure he did not drag the thing so far that he might get something better than what he himself suggests is a good one.

**Mr. F. E. James:** Let the question be now put.

**The Honourable Sir George Schuster** (Finance Member): In the course of this debate several appeals have been made to me as the Government spokesman to oblige certain classes, either to oblige unofficial parties or to oblige the poor peasant, by agreeing to this amendment. I want to make it quite clear that, in discussing any of these matters that arise in connection with the Reserve Bank Bill, our attitude is never going to be governed by the desire not to oblige anybody or not to meet anybody. Our attitude is solely governed by what we consider to be right in this matter, and however much I might desire to oblige any of my Honourable friends in this House, I cannot get up and say that I agree with a proposition which I consider to be wrong. Sir, I support the provisions of the Bill as they stand, because after very careful thinking over the whole subject I feel that they are right and I want to put it to the House exactly why I feel so. The second class that I have been asked to oblige is the class of the poor peasant, who is visualised as holding a certain number of these shares. . . . .

**Diwan Bahadur A. Ramaswami Mudaliar** (Madras City: Non-Muhammadan Urban): As I was one of the first to make a personal appeal to the Finance Member, I should like at this very early stage to correct a misapprehension into which he has fallen so far as I am concerned. I never suggested that the Finance Member should oblige me or any group of non-officials on this side. The suggestion was, and I repeat it, that it was a matter which did not fundamentally affect the principle of the Bill.

and, therefore, Government need not on this occasion take any definite attitude, but might leave it to non-official Members to decide whether it was in their interest or not to have this upper limit. There was no question of obligation. I quite realise that the Finance Member, having a majority behind him, is in a position to stand on rights and merits and no question of obligation can arise. I am aware of that.

**Raja Bahadur G. Krishnamachariar:** That is also our attitude.

**The Honourable Sir George Schuster:** My Honourable friend has quite misunderstood me. The point that I was making was that he and others—I did not have my Honourable friend particularly in mind—had been saying in the course of this debate that as no principle is involved in this, why should not the Government meet the views of the opposition parties? What I am putting to the House is, on any question, where no principle is involved, we should be only too glad to meet the opposition parties, but we have a certain responsibility here, and if we think a particular line is right, we must put the arguments on which we have formed that conclusion before the House. If the House goes to a vote on this and defeats our view on this matter, I would ask Honourable Members to regard that not as a defeat of Government, but as a defeat of their own interests, because I believe very sincerely that it is contrary to their interests that this particular amendment should be passed. That, Sir, is the point which I wish now to develop. Before I leave that, there is one other aspect of the matter which I want to put before the House and that is this. We stand before the House now with certain proposals which do not merely represent the proposals of the Government. They represent proposals which had been formulated after very careful discussion in the Select Committee, and I not only regard myself as a representative of the Government in this matter, but I must also represent the views of the Select Committee who have come to certain conclusions. Therefore, in no case could I merely of my own sweet will meet my Honourable friend, however much I should desire to do so. I have to defend a certain case and consider those who have supported me in that case hitherto. That is by way of a preliminary explanation. I have made that preliminary explanation, because I do want the House to approach all these questions not in a party spirit. This is not a party measure. Our whole object is to try and get the best measure that we can. In the Select Committee we always dealt with all the questions that arose on that basis.

Now, Sir, the second point was that we were asked to oblige the poor peasant. But I do put it to the House that it is a very curious way of obliging a particular man to say to him: "This property that you are going to acquire is property which you ought to go on holding. It is so much in the interests of the public that you should go on holding that property that we are going to put obstacles in your way of selling it". I put it to Mr. Yamin Khan that when a man is in difficulties and wishes to sell certain property, he does not mind, if he is a member of the middle classes, whether the purchaser is going to be a member of the middle classes or not, the man he wants to deal with is the man who will give him the best price for his property. And if it is their interests that Honourable Members are considering, I do put it to them that it is not in the interests of this particular class that, having acquired certain property, measures should be taken which would have the effect of diminishing the value of that property and making it less easy to dispose of

[Sir George Schuster.]

it when need arose. That, Sir, is, I think, a very serious point." Now, I would ask this House to regard this matter not merely from the point of view of a holder of shares who desires to sell. I have already expressed to the House my own view—my Honourable friend, the Raja Bahadur, slightly misquoted me just now,—I have expressed to the House my own view that having regard to the directions which we are laying down for the allotment of these shares, the allotment will be very widely distributed, and I further believe that, having been so distributed, the shares will very largely remain in the hands of the original allottees, because they will be regarded as a lock up investment with which they will not desire to part. Having taken that view, Honourable Members might say to me: "Well, then, if that is the case, why should you be so concerned as to whether they are going to have a free market for selling the shares. You yourself have taken the view that they will not want to sell those shares". But every man in India who holds realisable property does at times want to borrow money on that property and it is of the greatest possible advantage to the holder of property—and that is one of the features which makes Government securities in this country popular,—that he can always go to a Bank and get a loan against that property for an amount very near to its full value. Now, Sir, if there is not a free market in these shares, if the Bank itself in case of need cannot take over those shares from its debtor, having already filled up its own quota of Rs. 20,000, it is certainly going to make a difference as regards the terms on which the Banks will advance money against these Reserve Bank shares. I may tell the House that, in the course of this discussion, I have had an opportunity of consulting one of the highest officials of the Imperial Bank who happens to be here in the House and he has told me quite definitely that any provision in this sense would make a very great difference as to the terms on which the Bank would advance money against these shares as collateral security. They would require a much larger margin than they would require against Government securities. My Honourable friend, the Raja Bahadur, has asked what is the meaning of this argument that we have used that a provision of this kind will interfere with the free marketability of the shares. Well, I should have thought that it was a fairly simple point and I do not believe that my Honourable friend is quite so innocent in business matters as he would have us to suppose. If we say to an individual that he is not entitled to hold more than Rs. 20,000 worth of Reserve Bank shares, that at once limits the class of purchasers. Any one who holds those shares and wants to be able to dispose of them on any day must realise that he has to look to a restricted market. It is not a case of being able to go out and sell the shares at their current quotation knowing that there will always be somebody to pick them up. In order to be able to sell the shares, there must be a buyer in the market who does not already hold Rs. 20,000 worth of shares. Now, Sir, in times of stress, and not merely in times of stress, but from day to day, the people who make the prices on the stock exchange are people who are ready to hold a large number of shares at one moment, and then to dispose of them when they can get a "turn" on them. If you are going to have a restriction of this kind on the Reserve Bank shares, no one will be able to hold a sufficient stock to make a market in them. Sales would have to be restricted to cases where it is possible to find a genuine investor, and any one who knows anything about the stock exchange will confirm that that must have a very serious effect on the marketability of the shares.

**Raja Bahadur G. Krishnamachariar:** May I ask, is it not a fact that there is some limit fixed in the post office certificates, that no one can hold more than Rs. 10,000?

**The Honourable Sir George Schuster:** There must be some telepathy between my Honourable friend and myself, because he has anticipated exactly the next point that I was going to make. I was going to make this point. Some one might put it to me: "You have raised all these bogeys about the Reserve Bank shares, but what about the post office cash certificates? The same limit applies to them and every one knows that they are much appreciated by the holders for the simple reason that they are always taken readily as security by a Bank." But there is a special feature which attaches to a post office cash certificate. It can be redeemed at any moment. The holder can go to the Government and say: "Please cash this". He has not got to find a buyer in the market and take his chance. He can go to the Government at any moment and get his cash. What happens if he cashes it prematurely, before its normal five years has expired, is that he gets so much less interest on it. If he holds it for two years, the interest rate is, as my Honourable friend knows, at very much lower rates than if he holds it for five years. But that does not affect the position in regard to the point, which I am now discussing. For in the case of a post office cash certificate, the Bank knows that at any moment it can force the owner of that cash certificate to go to Government and convert it and pay up the cash. That would not apply to the Reserve Bank shares. If any one wants to realise his security on the Reserve Bank shares, he has got to find a buyer in the market. That, I think, is a serious aspect of the situation and I do hope that all Honourable Members of this House will weigh it very carefully in their minds before they record a verdict on this. This may seem not to be a very important matter, and as far as the objects which all Honourable Members, who have spoken in support of it, have in mind are concerned, I am in entire accord with their object. I am in entire accord with the purpose at which they are aiming, but I feel that they will not achieve their purpose by this measure. Now, I want to say a few words on that. My Honourable friend, Mr. Studd, has expressed the view that the provisions of section 55 are not likely to be very effective.

**Mr. E. Studd:** May I interrupt the Honourable Member for one moment? I did not say that. What I said was, I did not think they were absolutely water tight. It would be possible to devise means of getting round them.

**The Honourable Sir George Schuster:** My Honourable friend will admit that it is very nearly what I said. But I will use my Honourable friend's words. He thinks that the provisions of section 55 are not exactly water tight and that it will be possible to get round them. Now, Sir, in that unqualified sense, I hope that my Honourable friend is wrong. The object of this clause is to prevent any man exercising rights of votes by being able to influence nominal holders of shares to exercise votes at his direction, so that the provision that the maximum voting rights of 10 votes should not be defeated. I believe, myself, I hope sincerely that this clause will be effective for that purpose because, before a man can exercise votes at the direction of another in respect of shares which he only holds nominally and which do not really belong to him, he will have to commit

[Sir George Schuster.] Sir, I am sorry to say that I have been compelled to speak on this clause because of the perjury. He will have to make a declaration and if he does not make a declaration, then he cannot record his vote in respect of that share. (Interruption by Mr. Muhammad Yamin Khan): Will my Honourable friend allow me to complete my own argument? I think, so far as preventing any abuse of the voting rights is concerned, there is great hope that this clause will be effective, but I do not think it will be effective to prevent a man who wants to buy more than Rs. 20,000 worth of shares as an investment putting up all his sons and nephews, his wife's sisters, his brothers and so on to hold shares in his name. I am sure, my Honourable friend, Sir Cowasji Jehangir, if this clause is passed, and if he wants to hold Rs. 20 lakhs worth of shares, will be able to find people in whose names he can put those shares so that he may draw the dividends on them, but I do not believe my Honourable friend would be able to exercise voting rights in respect of Rs. 20 lakhs of shares, because in that case, all those people who had shares in his name would have to commit perjury in order that he might do so. Now, that is a very important point. I believe that this clause will actually be ineffective for the purpose of preventing a rich man acquiring the beneficial interest in these shares. We may have defeated his power to control the voting on more than 10 shares, but, as regards the beneficial interest, I do not think that we have defeated that. Therefore, I feel that, to pass this amendment will have no practical effect. If any individual wishes to acquire a beneficial interest in more than Rs. 20,000 worth of shares for the sake of drawing dividends on those shares, I do not think it would be possible, by a clause of this kind, to prevent his doing so, and it is for that reason mainly that I am opposed to this amendment. I feel that it will not achieve its object, but that it will certainly achieve a very serious disadvantage in interfering with the free marketability of these shares. We have designed this whole scheme in order to create a free market in the shares. It is for that reason that transferability from one register to another has been included, and so on. The limitation has all been concentrated on voting rights. Now, there is a very great advantage in having a really free market. One of the most important checks on the Directors and the head executive officers of the Bank will be the way in which the public regards their policy as illustrated in the daily quotation for the Reserve Bank shares. That is a really valuable feature, and if you are going to restrict the shareholding in this way, you are going to interfere with the operation of that feature very largely. There is a definite purpose behind this. We have not merely designed the scheme by chance or off-hand; it has been very carefully thought out, and it was with deliberate intention that the provision which, as several Honourable Members have pointed out, was included in the 1928 Bill. . . . .

**Mr. Sitakanta Mahapatra** (Orissa Division: Non-Muhammadan): Did not Sir Basil Blackett think it out?

**The Honourable Sir George Schuster:** I say, it was with a deliberate purpose that that feature in Sir Basil Blackett's Bill was changed, on fuller consideration. We have had time to think over this matter very carefully in the interval and this has been thought over by the various Committees that sat upon it and which have been assisted by the best available expert advisers both in London and in India. The London Committee arrived at a certain conclusion, and the Select Committee here also arrived at a certain conclusion after discussing it particularly with

Mr. Shroff, to whom I have already referred and who can speak with very great authority about the market conditions in Bombay. It is a carefully thought-out provision, and I feel that the House may be really going up the wrong road in a way which they will regret if they now seek to alter this provision. I repeat again there is nothing further from our minds than to defeat the main object which they have in view, viz., that these shares shall be widely held, but we feel that this provision will be ineffective and we also feel that it will not really be necessary, because—and I go back to what I said before—we believe that by the provisions for the original allotment we shall ensure a very wide distribution of the shares. It is that to which we are really pinning our faith, and we believe that, essentially, that distribution will remain in the future. Sir, on these grounds, and with very great regret, I must oppose this amendment. I say "with regret", because I recognise with what genuine feelings it has been supported in various quarters of the House, but I again put it to my Honourable friends that they will not achieve their object by passing this amendment, but they will completely wreck what is one of the main features of our present scheme, namely, the creation of a free market in these shares. (Applause.)

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (2) of clause 4 of the Bill, after the words 'transferable from one register to another' the words 'and no person shall be allowed to have more than two hundred shares' be added."

The Assembly divided:

AYES—48.

Abdul Matin Chaudhury, Mr.	Mujumdar, Sardar G. N.
Anklesaria, Mr. N. N.	Neogy, Mr. K. C.
Azhar Ali, Mr. Muhammad.	Pandit, Rao Bahadur S. R.
Badi-uz-Zaman, Maulvi.	Parma Nand, Bhai.
Bagla, Lala Rameshwar Prasad.	Patil, Rao Bahadur B. L.
Bhuput Sing, Mr.	Puri, Mr. B. R.
Brij Kishore, Rai Bahadur Lala.	Puri, Mr. Goswami M. R.
Chandi Mal Gola, Bhagat.	Raghbir Singh, Rai Bahadur
Das, Mr. B.	Kunwar.
Dutt, Mr. Amar Nath.	Rajah, Rao Bahadur M. C.
Fazal Haq Piracha, Khan Sahib	Reddi, Mr. P. G.
Shaikh.	Reddi, Mr. T. N. Ramakrishna.
Hoon, Mr. A.	Sarma, Mr. R. S.
Ibrahim Ali Khan, Lieut. Nawab	Shafee Daoodi, Maulvi Muhammad.
Muhammad.	Shah Nawaz, Mian Muhammad.
Ismail Ali Khan, Kunwar Hajee.	Singh, Kumar Gupteshwar Prasad.
Ismail Khan, Haji Chaudhury	Singh, Mr. Gaya Prasad.
Muhammad.	Sitaramaraju, Mr. B.
Isra, Chaudhri.	Talib Mehdi Khan, Nawab Major
Jadhav, Mr. B. V.	Malik.
Jha, Pandit Ram Krishna.	Thampan, Mr. K. P.
Krishnamachariar, Raja Bahadur G.	Uppi Saheb Bahadur, Mr.
Lahiri Chaudhury, Mr. D. K.	Yakub, Sir Muhammad.
Lalchand Navalrai, Mr.	Yamin Khan, Mr. Muhammad.
Mahapatra, Mr. Sitakanta.	Ziauddin Ahmad, Dr.
Mitra, Mr. S. C.	
Mudaliar, Diwan Bahadur A.	
Ramaswami.	

## NOES—49.

Abdul Aziz, Khan Bahadur Mian.  
 Ahmad Nawaz Khan, Major Nawab.  
 Anwar-ul-Azim, Mr. Muhammad.  
 Ayangar, Mr. V. K. A. Aravamudha.  
 Bajpai, Mr. G. S.  
 Bhore, The Honourable Sir Joseph.  
 Bower, Mr. E. H. M.  
 Chatarji, Mr. J. M.  
 Clow, Mr. A. G.  
 Cox, Mr. A. R.  
 Dalal, Dr. R. D.  
 Dash, Mr. A. J.  
 DeSouza, Dr. F. X.  
 Dillon, Mr. W.  
 Graham, Sir Lancelot.  
 Grantham, Mr. S. G.  
 Haig, The Honourable Sir Harry.  
 Heziett, Mr. J.  
 Hudson, Sir Leslie.  
 James, Mr. F. E.  
 Jawahar Singh, Sardar Bahadur Sardar.  
 Jehangir, Sir Cowasji.  
 Lal Chand, Hon. Captain Rao Bahadur Chaudhri.  
 Lee, Mr. D. J. N.

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That to sub-clause (2) of clause 4 of the Bill, the following be added at the end : 'and no person shall be allowed to hold more than fifty shares at any time'."

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The next amendment is No. 33, by Mr. Sitaramaraju.

**Mr. B. Sitaramaraju** (Ganjam cum Vizagapatam: Non-Muhammadan Rural): Sir, I beg to move :

"That to sub-clause (2) of clause 4 of the Bill, the following proviso be added : 'Provided that where 25 per cent. of the allotted shares have been transferred outside the area, no further transfer shall be allowed'."

Sir, in moving this amendment it is not necessary for me to go into the question of the transfer of shares at any great length. All that I would like to point out is that under sub-clause (2) of this clause shares shall be transferable from one place to another. The object in moving this amendment is to prevent more than 25 per cent. of the shares from going from one area to another and thus to safeguard the interests of those areas. In other words, I do not want that any single one area should have any preponderating influence by acquiring more shares. It is with that view that I am moving this amendment and I hope that Members, who have sympathy with that view, namely, that no one single province or one single area should have a predominating influence over others, will accept my amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That to sub-clause (2) of clause 4 of the Bill, the following proviso be added : 'Provided that where 25 per cent. of the allotted shares have been transferred outside the area, no further transfer shall be allowed'."

Mackenzid, Mr. R. T. H.  
 Macmillan, Mr. A. M.  
 Maswood Ahmad, Mr. M.  
 Metcalfe, Mr. H. A. F.  
 Millar, Mr. E. S.  
 Milligan, Mr. J. A.  
 Mitter, The Honourable Sir Brojendra.  
 Mody, Mr. H. P.  
 Morgan, Mr. G.  
 Mukherjee, Rai Bahadur S. C.  
 Nihal Singh, Sardar.  
 Noyce, The Honourable Sir Frank.  
 O'Sullivan, Mr. D. N.  
 Rafiuddin Ahmad, Khan Bahadur Maulvi.  
 Raisman, Mr. A.  
 Rajah, Raja Sir Vasudeva.  
 Ramakrishna, Mr. V.  
 Rau, Mr. P. R.  
 Schuster, The Honourable Sir George.  
 Scott, Mr. J. Ramsay.  
 Singh, Mr. Pradyumna Prashad.  
 Sinha, Rai Bahadur Madan Mohan.  
 Smith, Mr. R.  
 Studd, Mr. E.  
 Tottenham, Mr. G. R. F.

**Mr. S. C. Mitra** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Sir, I support the amendment of my friend, Mr. Sitaranaraju. Even the Select Committee was not of one opinion in this matter. There were strong apprehensions on the part of a strong minority that a large number of shares might be transferred from one area to another, thus making a particular area, a depleted area, and giving the right to another area to send Directors to the Central Board out of all proportion to its number of voters. As a matter of fact, it was also suggested that a certain percentage should be accepted, and no transfer, even if the limit is exceeded, should be allowed. I think Government also agreed that in case of such contingencies arising, they will be agreeable to amend this Act in that direction. But I find there is no reason why such a provision should not be made in the Statute itself. As regards my Honourable friend expecting the Government to accept any amendment, I think our experience as a result of the last voting ought to have taught us some lesson. When there is an agreement in London, the Government are here to carry it out and, as the Honourable the Finance Member said, whatever had come out from the Select Committee was sacrosanct and no amount of argument on this side of the House would move him an inch.

**The Honourable Sir George Schuster:** I think my Honourable friend is misrepresenting what I said.

**Mr. S. C. Mitra:** Then will the Honourable Member repeat what he said?

**The Honourable Sir George Schuster:** I said it was not a question of my personal discretion in any case and that I have also to take into account that I am supporting here the recommendations of the Select Committee of the Legislature.

**Mr. S. C. Mitra:** This is just what I am saying. It is not really a question of discretion, but that the Honourable the Finance Member has to carry out the decisions of the London arrangement and the little that he could yield in the Select Committee, that is the last word. That is exactly my point, that he has no discretion in these matters. But it does lie as much on this side of the House to put forward every consideration before this Assembly and everything that we consider to be in the interests of the country and what this Bill should be like. It has been said times without number, that this Act will be of no use if it cannot carry the opinion of the people of the country, and the attitude which the Government Members are taking is evidence of the sincerity of their purpose, but yet it is our constitutional duty to press all the points that we think necessary to be pressed for the consideration of the House so that posterity may judge that, though the Act was forced down our throats, yet the elected Members wanted it to be amended in a particular way. With these words, I support the amendment.

**Rao Bahadur B. L. Patil** (Bombay Southern Division: Non-Muhammadan Rural): Sir, I rise to support this simple amendment. My first reason for supporting this amendment is that it is neither sound nor business-like, in a national institution to allow any particular register to be swelled with shares and, at the same time, to allow another to starve. The

[Rao Bahadur B. L. Patil.]

very fact that this Bill provides for allotment of a particular number of shares to different registers speaks in my favour. Otherwise, there is no sense in the allotment of shares in the Bill.

My next reason is that if we want to make this institution a really national institution, it is just and proper in the fitness of things that every register must represent certain number of shareholders. In a way we can make it national by making it a popular institution only if we get the shareholders equally or in a proper proportion, distributed all over the country. Therefore, I support the amendment moved by my Honourable friend, Mr. Raju.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

**Mr. K. P. Thampan** (West Coast and Nilgiris: Non-Muhammadan Rural): Sir, I have great pleasure in supporting the amendment moved by Mr. Sitaramaraju. This was one of the objects with which I gave notice of amendment No. 28 which I moved yesterday. As you might remember, Sir, I referred to this aspect of the question which was covered by my more comprehensive amendment. If some kind of restriction is not put on the provision for the transfer of shares, the very purpose for which the regional scheme is introduced in this Bill will be frustrated. It is not the idea that the regional aspect should exist only till the distribution of shares, but should continue with a view that the Directors are to be elected by the local boards who have to discharge other functions also as long as the Reserve Bank continues to exist. In fact, it is the chief characteristic of the Bill. The whole thing will be a mockery if shares are permitted to be transferred from one region to another without any limit. The Honourable the Finance Member said yesterday, in reply to my motion, that this would restrict the free transfer of shares. But, I repeat this is not an ordinary company. In an ordinary company you do not restrict or limit the payment of dividends and other things, while in this you restrict by specific provisions in the Statute such things. The Reserve Bank functions for the national interest and it is the custodian of the nation's cash reserves and the State has every right to restrict its operations, and, therefore, it will be perfectly within the right of this House to bring in all kinds of restrictions to maintain and ensure the character and special features we propose to be embodied in this Bill. Therefore, a provision like this is absolutely necessary and I support the amendment.

**The Honourable Sir George Schuster:** Sir, the amendment proposed by my Honourable friend covers a subject which was discussed very carefully and at very great length in the Select Committee. We all of us felt that if a situation arose in which one particular share register became substantially denuded and a large accumulation of shares took place on another register, it would be contrary to the intention and the expectation in which this whole plan is being launched; and we considered whether it would be advisable to put in any definite provision in the Bill restricting the free right of transfer from one register to another after a certain

point of denudation on a particular register being reached. But we came to the conclusion that to have this sort of provision hanging over the position would be very prejudicial to the purpose on which I have already spoken at some length this morning, the purpose of having a free market in these shares. A point might be reached when every one would be in doubt whether a particular transfer would be in order or not and that would be extremely embarrassing to everybody. In fact, if the point was nearly approaching one might find a whole rush of possible sellers coming on the market with their shares in order to be able to get away with them before any prohibition was imposed. We thought, after careful consideration, that it was not very likely that the potential danger would happen. Our view on that was supported by several of the expert witnesses who came before us and further we thought that if the situation did, contrary to our expectations, arise, then it would be better to deal with it when it arose by amending legislation. We also took into account that it is the power to elect Directors that really counts and the reduction of the number of shares on a particular register would not by itself have any effect on the power of the residents of that area to send a certain number of Directors to the Central Board. We came very definitely to the conclusion that it was better to leave things as they are without this restriction, but we did recommend in the Committee's report that the situation should be carefully watched and that, if there was any danger of a complete upsetting of the balance between the various registers, then Government should consider bringing in special legislation in order to prevent the thing going too far. There is a certain amount of experience available in this matter from the Imperial Bank which has local share registers and the experts, those who know how things are going, tell us that the transfers from one register to another were balancing out fairly and evenly and that they did not think that there was any serious danger of the whole balance being upset by a large number being accumulated in one area. Therefore, we feel quite definitely that it is better to leave the provision as it is and that to start off from the very beginning by creating this sort of provision which would hang over the whole position and create uncertainty in everybody's mind would be a most undesirable thing. On these grounds, Sir, I must oppose the amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That to sub-clause (2) of clause 4 of the Bill, the following proviso be added :  
Provided that where 25 per cent. of the allotted shares have been transferred outside the area, no further transfer shall be allowed."

The motion was negatived.

**Mr. T. N. Ramakrishna Reddi** (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): Sir, I beg to move:

"That in sub-clause (3) (b) of clause 4 of the Bill, the words 'or in any part of His Majesty's Dominions the Government of which does not discriminate in any way against Indian subjects of His Majesty,' be omitted."

Sir, there is some misapprehension with regard to the scope of this amendment. Some of my friends consider that by moving this amendment I will be nullifying the effect of the changes that have been brought about in the Select Committee on the original Bill. It is nothing of that sort. My amendment simply eliminates those British subjects, who

[Mr. T. N. Ramakrishna Reddi.]

belong to the dominions and colonies which have been discriminating against Indians in season and out of season, from holding shares in the Reserve Bank that is going to be established. My reasons for excluding the subjects of the dominions are two-fold: they are on sentimental and substantial grounds. It is common knowledge that our nationals in various dominions have been undergoing all sorts of humiliating treatment and, if we do not feel to the extent we ought to feel for the sufferings of those people, it is because we do not go and live in those dominions and we do not clearly visualise the actual treatment that has been meted out to them; and hence I would like to take this opportunity, when that opportunity arises, to show our resentment by not allowing them to possess any shares in the Reserve Bank. Under clause 122 of the White Paper and also under Queen's Proclamation and other Charters, we cannot discriminate against British subjects in the various dominions from holding office or having trade connections with India on account of difference in race, residence, and so on. But this is a different thing: the Reserve Bank is different from a trading concern, because, under clause 19 of this Bill, the Reserve Bank is prohibited from engaging in trade, and hence that general clause does not apply in this case and we are permitted or rather we are entitled to make this discrimination and not permit the subjects of the dominions to hold any shares in this Reserve Bank. This may be called sentimental. But I have other substantial grounds also for not allowing those nationals to possess any shares in the Reserve Bank. The whole share capital of the Reserve Bank is only Rs. five crores, and it is a mere flea-bite when you consider the vast extent of this land and its millions of people. Whatever my friend, Sir Cowasji Jehangir, may say that all the shares might not be purchased and that there may not be many people willing to purchase these shares if you democratise them, that is, if you lower the number of shares which a man may possess, yet I submit that the shares of the Reserve Bank will be purchased in no time. We have also seen very recently how the Government of India Loan of over Rs. 10 crores was subscribed within half an hour. Therefore, I do not see any difficulty for any person to purchase shares in this Bank which has been inaugurated under Government auspices. Hence I do not want that any persons except nationals of India and, of course, British subjects who are domiciled in the United Kingdom should hold shares; and I do not want that these shares should be taken away by any other subjects of the dominions. Again, this six per cent., is a very good business proposition for anybody to invest in these shares, and it is so much loss of interest and dividend to India which would go out of the country if these shares are allowed to be held by any others except our nationals. Then, there is another objection. If the shares are to be held by others than nationals, then they can have great influence over the policy of the Bank itself. That is why various countries in other parts of the world have scrupulously reserved the shares of their Banks for their own nationals. I simply quote a sentence from the book of Mr. Jain, which says:

"Fourthly, to ensure freedom from all foreign influences, the constitutions of Central Banks, more often than not, restrict Directorship and voting and even shareholding rights to nationals. In the case of the Central Banks of Belgium, Bulgaria, Estonia and Germany it is laid down in their Charters that all the Directors must be nationals; while the Central Bank of Czechoslovakia is permitted to have one additional Director who may be a foreigner, and in Austria, Columbia and Chile the number of foreigners as directors is carefully restricted. Again in the case of the Central Banks of

Denmark, France, Greece and Netherlands the voting rights are exercised by nationals only, while in Japan and Switzerland even the holding of shares is restricted to nationals. The Charter of the Central Bank of Lithuania provides that foreigners cannot hold more than one-third of the capital."

Thus, I would like as far as possible, to prevent people other than our own nationals from holding shares in the Reserve Bank.

Then, there will be another difficulty if we adopt the clause as it has been amended by the Select Committee. It says:

"No person who is not a British subject ordinarily resident in India and domiciled in the United Kingdom or in any part of His Majesty's dominions the Government of which does not discriminate in any way against Indian subjects of His Majesty. ."

What is the meaning of this discrimination? They have not defined what the discrimination is. The discrimination might be political discrimination, might be social discrimination, might be fiscal discrimination. As a matter of fact, I may tell you, subject to correction, that there is no dominion which does not discriminate against Indians, and hence it will be a dead letter even if it is passed; and, under this clause, no dominion can come in; but that is a different matter. Suppose there is one dominion which does not discriminate at present, it can take advantage of this sub-clause and take shares. Supposing the next day or after some time they pass fiscal legislation discriminating against India for their fiscal purposes—suppose a lot of rice is going from India to Australia and they want to prevent rice from India and they levy an import duty to some extent—is it not discrimination? Is the whole nation to be deprived of the shares which they already possess? Where is the provision to show that the nationals of that country should give up all their shares because that country has discriminated? Take another instance. Suppose a constituent State, and not the whole Dominion of Canada or Australia, discriminates. In that case, where is the provision to show that the shareholders of that particular State alone should be discriminated and not the Dominion as a whole? These are some of the difficulties which will appear if we allow this clause to remain as it is.

Then, Sir, there is another thing. After all, the dominions may not care to have any shares in this Reserve Bank at all. Then, why should we gratuitously insult them by first telling them that all persons might come in and then, when they actually come in, why should we tell them that we discriminate. They are not asking us to allow them to have any shares in this institution. Why should we unnecessarily insult them by asking them to take shares and then tell them that they do not deserve to take any shares. There can be absolutely no difficulty whatsoever, so far as I can see, for this House to accept this amendment, because it does not offend against the general clause that no British subject should be discriminated on account of his race, caste or community. With these few words, I place this amendment before the House for its acceptance.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (3) (b) of clause 4 of the Bill, the words 'or in any part of His Majesty's Dominions the Government of which does not discriminate in any way against Indian subjects of His Majesty,' be omitted."

**Mr. B. Das** (Orissa Division: Non-Muhammadan): Sir, my object in intervening in this debate is to assure my friend, Mr. Reddi, that he ought not to lightly amend the amendment which we brought out in the Select Committee after due deliberation and consideration. My Honourable friend, Mr. Bajpai, the other day replied that in Australia and New Zealand there is no discriminatory legislation . . . .

**Diwan Bahadur A. Ramaswami Mudaliar:** No, no; only in New Zealand; he did not say Australia.

**Mr. B. Das:** Well, I quote from the reply which Sir Fazl-i-Husain gave to a question which I asked on the 27th of January, 1931. This is what he said:

"The position is as follows. In Australia, so far as the Commonwealth franchise is concerned, the disability under which natives of India suffered was removed by legislation in 1925. As regards State franchise, Indians are not disqualified on racial grounds in the States of New South Wales, Victoria, South Australia and Tasmania. . . ."

**Diwan Bahadur A. Ramaswami Mudaliar:** But Western Australia does discriminate.

**Mr. B. Das:** But not to the extent that South Africa does.

Now, Sir, the Indians have got equal franchise rights with other Canadian citizens, except the Columbia State and, in those dominions, they are not in the same fighting mood, and so it is no use trying to penalise all the dominions, particularly when we go to the World Economic Conference and the Imperial Conference and fraternise with the representatives of those dominions.

**An Honourable Member:** You are moving a motion for adjournment today.

**Mr. B. Das:** My friend reminds me that I have tabled a motion for adjournment, and when I take it up at 4 o'clock, he will find that what I will then say will have the entire approval of this House.

All I am pointing out is, I would have liked my friend to read the minute of dissent my friend, Mr. Vidya Sagar Pandya, and I have attached, and there we have said :

"Similarly section 4 (c) has been redrafted to exclude citizens of any British Dominion which discriminates against Indians to hold shares of the Reserve Bank. It ought to be provided that the Governor General in Council should notify in the Gazette of India along with the publication of the Reserve Bank Act, the names of such Dominions that must be excluded, South Africa is the greatest sinner in this respect. Next comes Canada. We suggest that the Government of India should appoint a small Committee to inquire if Australia and New Zealand can really be given equal facilities along with the citizens of the United Kingdom."

I have not given notice of any amendment, because I have expressed my views on this matter in my minute of dissent. Government are chary, they are afraid to wound the feelings of the dominions by declaring that such and such dominions should be discriminated; they do it in a negative way by not mentioning it, but I want to do it in a positive way. I would ask my friends that we should not penalise all the

dominions, and I here take this opportunity to congratulate my Honourable friend, Sir George Schuster, and also my Honourable friend, Sir Leslie Hudson, who gave us valuable support in this amended clause and showed their sympathy in a manner that portends good for the future good relations between Europeans and Indians in this country.

**The Honourable Sir George Schuster:** Sir, I think my friend who has just spoken has sufficiently answered the case for this amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (3) (b) of clause 4 of the Bill, the words 'or in any part of His Majesty's Dominions the Government of which does not discriminate in any way against Indian subjects of His Majesty,' be omitted."

The motion was negatived.

**Mr. Bhuput Sing** (Bihar and Orissa: Landholders): Sir, I beg to move:

"That to part (b) of sub-clause (3) of clause 4 of the Bill, the following proviso be added :

'Provided that no person mentioned in this sub-section shall continue to be member or be entitled to receive any dividend or any bonus in respect of shares held by him after he changes his description or denomination as mentioned in this sub-clause'."

Sir, my purpose in moving this amendment is to make clear the qualification of a British subject ordinarily resident in India. As the clause reads ".....no person who is not" and then it goes on "shall be registered as a shareholder or be entitled to payment of any dividend on any share.....". Supposing a person, who is qualified under (b), purchases a share, and, after some time, leaves India and goes to England, there is no provision in this Bill which will entitle the Central Board or any authority to cancel his name from the register of shareholders or to decline him the payment of any bonus or dividend. Both on the floor of this House as well as in the Select Committee the Honourable the Finance Member made it perfectly clear that a British resident will have to dispose of his shares before he leaves India permanently. In the course of his speech, when he moved for the consideration of the Bill, he said:

".....when a British resident retires from India, he will automatically cease to be entitled to exercise a vote or to draw a dividend on his shares. Therefore, on retirement, he will be forced to sell his shares . . ." and so on.

It is only to make that position perfectly clear, and in order that this right should be given to the Central Board, so that there may be no difficulty in removing the name of such persons from the list of shareholders, I have moved this amendment. I have nothing further to add, Sir.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That to part (b) of sub-clause (3) of clause 4 of the Bill, the following proviso be added :

'Provided that no person mentioned in this sub-section shall continue to be member or be entitled to receive any dividend or any bonus in respect of shares held by him after he changes his description or denomination as mentioned in this sub-clause'."

**Mr. S. C. Sen** (Bengal National Chamber of Commerce: Indian Commerce): I do not know whether the Treasury Benches will accept this amendment . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair thought whether the object of this amendment was not provided for in the last part of sub-clause (3). The Chair wants to understand the legal position. Probably it will simplify discussion . . .

**The Honourable Sir George Schuster**: Well, Sir, our intention certainly was that an amendment of this kind should be quite unnecessary. We thought that the clause, as drafted, definitely provided for any person who had satisfied these qualifications originally ceasing to be entitled to hold shares as soon as he ceased to be qualified under this clause.

**Mr. Bhuput Sing**: There is no provision in the Bill.

**The Honourable Sir George Schuster**: The point seems to us to be perfectly clear. No person who falls under any one of these three classes shall be registered as a shareholder or be entitled to payment of any dividend on any share . . .

**Mr. Bhuput Sing**: If he has been once registered, there is no clause under which if he ceases to come under any of those descriptions, his name can be removed from the register.

**The Honourable Sir George Schuster**: If there is any doubt on the point, having been once registered he remains on the register, I suggest from the practical point of view the second provision settles all doubt that he will no longer be entitled to receive any dividend on these shares.

**Mr. S. C. Sen**: May I say a word about this matter? It is conceded that once a man is registered on the register, under the present constitution he cannot be removed from that register. The only power which is given to the Governor General in Council is to remove a Director if he ceases to possess certain qualifications. There is no provision in this Bill which entitles either the Central Board or any person to remove the name of a person who has been once registered in the books of the Bank. That is one of the principal points. Now, as regards dividends, the clause says, he will not be entitled to any dividend. The dividend clause, I think, is contained in clause 47 which provides that every shareholder shall be entitled to a dividend. If he remains a shareholder and his name remains on the register, he is *ipso facto* entitled to get the dividend in respect of those shares. Where is the power given to the Central Board to remove his name, or where is it provided that no dividend shall be payable in respect of such shareholders who have left this country or who do not fall within the description contained in clause 4? So long as his name is borne on the register, a shareholder is entitled to his dividend and to all rights of a shareholder. That is the point. There is no principle involved in this, because, as I understand the Finance Member, it is intended by this clause to have that effect. But, I submit, that in my opinion the clause has not properly expressed the intention.

**The Honourable Sir Brojendra Mitter (Law Member):** It is quite true, as Mr. Sen says, that under this Bill every shareholder is entitled to a dividend. But, in construing an Act, you have to take the whole Act and not merely one particular clause;—you cannot pick out one clause and say that that is the only effective clause. The right of a shareholder to receive dividends is cut down in clause 4, where it says that no person who does not belong to one of the qualified classes shall be registered as a shareholder. This is before his name comes on the register. Once his name comes on the register, he would ordinarily be entitled to his dividend, but here it says that no person, who is registered as a shareholder shall, under certain conditions, be entitled to payment of Dividend on any share. The general provision is that every shareholder gets his dividend, but here is a special clause which says that, under certain circumstances, a shareholder, although his name be on the register, shall not receive his dividend. I do not see any ambiguity.

**Mr. Bhuput Sing:** Supposing a person keeps his shares with some Bank and leaves India permanently, his Bank will collect dividend from the Central Board, because his name cannot be removed from the register.

**The Honourable Sir Brojendra Mitter:** I never suggested that there was provision for the removal of the name from the register. All I am saying is this. The name may be on the register, but nevertheless he may not be entitled to dividend by reason of his ceasing to belong to one of these classes. I do not see any ambiguity. There are two stages; first of all, before a person can claim a dividend he must have his name on the register. By buying a share he gets his name on the register. Then comes the question of receiving a dividend. In the absence of any other factor, he would receive his dividend as any other shareholder, but clause 4, the clause which we are considering, provides that if he ceases to comply with certain conditions, then he may be deprived of his right to receive the dividend. The general clause is restricted by this particular clause. It is a rule of construction that when there is a general provision and also a particular provision, the particular provision controls the general provision. That being so, this clause will govern the general provision to which attention has been drawn by Mr. Sen.

**Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural):** May I ask one more question? Will he continue to exercise his right of vote?

**The Honourable Sir Brojendra Mitter:** Nothing is said about it.

**Dr. Ziauddin Ahmad:** Then he will continue to exercise his right of vote by proxy.

**Mr. President (The Honourable Sir Shanmukham Chetty):** If the Government declare that it is also their intention to give effect to the idea underlying Mr. Bhuput Sing's amendment, the Chair thinks it must be possible to arrive at some form of words which will, without any doubt, give effect to that intention.

**The Honourable Sir George Schuster:** There is not the slightest question but that we agree with Mr. Bhuput Sing about this. It was our intention

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to legislate to that end. A point has certainly been raised by Dr. Ziauddin Ahmad that nothing is said about the right to vote. I think these points having been raised, it is desirable to consider the drafting a little more carefully. There seems to be some lacuna here and we should like a little time to consider it. I hardly think that you will be putting clause 4 to vote today. If you will give us time till tomorrow to consider it and allow us to move what we consider to be a suitable amendment, it might put matters right.

**Mr. President** (The Honourable Sir Shanmukham Chetty): In that case the Chair will keep the amendment of Mr. Bhuput Sing in abeyance; he need not withdraw it. It will give an opportunity to the Government to bring in a suitable amendment tomorrow. The next amendment stands in the name of Mr. Thampan.

**Mr. K. P. Thampan:** Sir, I move:

"That in sub-clause (3) (c) of clause 4 of the Bill, after the words 'a company' in the first line, the words 'having 75 per cent. of its capital held by persons qualified under (a) and (b) above and' be inserted."

The principle of disqualifying the subjects of those colonies that discriminate against Indians has been accepted in a way by the Select Committee, and the Select Committee has amended paras. (a) and (b) on those lines. In regard to companies formed in India by such people, the Select Committee merely passes a pious resolution to the effect that:

"The Government and the Central Board of the Reserve Bank should watch carefully for any signs of evasion of the purposes of sub-clauses (a) and (b) of clause 3 by the formation of companies by persons disqualified from holding shares. If any such abuse were to attain serious dimensions we think that the Government should consider amending legislation."

That is all what they propose to do. Clause 4 (3) (c) says:

"A company registered under the Indian Companies Act, 1913....."

is qualified to hold shares. A company may be registered in India by any class of disqualified persons or by foreigners like the Japanese or the Russians; the shareholders need not necessarily reside here. For trading purposes only an agent need be posted in India and the shareholders all the while living in their own country. Similarly, the people or those dominions that discriminate against Indians may also form a company in India, and become eligible. Such a contingency has not been satisfactorily provided against by the Select Committee and I am anxious that a specific provision should be incorporated with a view to excluding such kinds of people. That is a necessary corollary if the principle of exclusion contemplated in (a) and (b) is accepted.

In this connection I would invite the attention of the House to the evidence given by Sir Samuel Hoare on the subject of commercial discrimination before the Joint Select Committee in England. In the book that was supplied to us day before yesterday, on page 326 of the evidence of the Secretary of State, dated 7th November, Mr. Jayakar, examining

Sir Samuel Hoare, put certain question on commercial diserimination. In the course of question No. 15640, Mr. Jayakar asks:

"What would happen to a company incorporated in England but which was composed mainly or entirely of colonials coming from a country which did not give equality to Indians, which would fall under the definition incorporated in the United Kingdom, although the members who form that company were all colonials or Dominions men?"

Sir Samuel Hoare says:

"We have to admit there is a point in what Mr. Jayakar says."

And, in the next question, Mr. Jayakar continues the same topic and asks:

"You are aware how strong is the feeling against colonials trading in India coming from countries which do not allow the same advantages to India. I want to ensure that the benefit given in this clause is entirely in favour of residents in the United Kingdom and not in favour of colonials who will come and form a company in England and go and get the privileges which th's country is given in India."

Sir Samuel Hoare says:

"We will look into the point but I do not disguise that it is a very difficult question."

It may be a very difficult question indeed, but, Sir, these questions and answers refer only to companies incorporated in England by colonials and other people who discriminate against Indians. I am afraid that this clause which we are now discussing, goes further, because it permits even the enemies of Great Britain to form a company in India. To avoid such a contingency, I suggest that at least 75 per cent. of the members of that company must be those who are qualified under sub-clauses (a) and (b) of this clause. That is the object with which I have tabled this amendment. Sir, I move.

**Mr. President (The Honourable Sir Shanmukham Chetty):** Amendment moved:

"That in sub-clause (3) (c) of clause 4 of the Bill, after the words 'a company' in the first line, the words 'having 75 per cent. of its capital held by persons qualified under (a) and (b) above and' be inserted."

**The Honourable Sir George Schuster:** I am sure, my Honourable friend has read the paragraph in the Joint Select Committee's report on this question. We considered the possibility of the sort of abuse which my Honourable friend has in mind and we came to the conclusion that any such provision, as is embodied in his amendment, would in practice be impossible to enforce. Who is going to watch the share registers of these companies and what is going to happen when a company passes the limit of 25 per cent. of disqualified shareholders? It would, we believe, be impossible to work in practice. We, therefore, considered what was the other practical alternative, namely, the alternative of excluding companies altogether as shareholders; but we thought that that went too far and we came to the conclusion that this again was one of the points which ought to be watched and if it was found that any abuse grew up to an appreciable extent—and we definitely recognised what my Honourable friend has in mind as an abuse,—if that was established, then the Government should consider amending legislation designed to meet the actual situation. But

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I venture to suggest to my Honourable friend that his fears are perhaps a little far fetched. It is not very probable that any group of persons who are disqualified from holding shares in the Reserve Bank would go to the trouble of forming a company to acquire shares having regard to the fact that however much capital was put into the company they could not acquire more than the right of ten votes in the Reserve Bank. We believe that this is one of those hypothetical dangers which we really need not take into account at present.

**Mr. K. C. Neogy** (Dacca Division: Non-Muhammadan Rural): I just want to know from the Honourable the Finance Member as to whether it is not a fact that there are at the present moment companies registered in India which are composed of persons who would be disqualified under one of these sub-clauses from holding any shares in the Reserve Bank. If that be so, is it the intention of Government that, although as individuals they will be debarred from holding shares in the Reserve Bank that they would be permitted to hold shares simply because they happen to be members of a company registered under the British Indian Companies Act? Now, Sir, it is not a question of the extent of the danger. Is it right that, whereas in one particular sub-clause you are disqualifying a particular set of people, you should in another sub-clause make an exception in favour of those very disqualified persons simply on the ground that they belong to a company registered under the British Indian enactment? That is the simple point on which I should like my Honourable friend to address this House.

**The Honourable Sir George Schuster:** My Honourable friend has put two questions to me. As regards the first question, I think he is correct in saying that there are companies of the kind which he has in mind. In fact, we were told by one of our members on the Select Committee that he actually knew of a company registered in India the whole of the shares of which were held in the names of foreigners. We recognise that position and we also recognise that it is in a sense definitely inconsistent with the principle of this Bill that a company of that kind should be entitled to hold shares. But the difficulty is to find a means of excluding a company of that kind, which is going to be practically effective without going too far. We thought it would be going too far to exclude companies altogether and it would require elaborate machinery to watch the shareholders' list and decide at what point it was necessary to intervene. Therefore, having regard to the fact that in our view the danger was not a very practical one, we thought it better to leave the position as it is and to make a recommendation that, if a substantial abuse grew up, then action should be taken.

**Diwan Bahadur A. Ramaswami Mudaliar:** Mr. President, I had hoped that the Finance Member would not be so overborne with the weight of the recommendations of the Joint Select Committee as not to be able to consider this reasonable amendment. I am sorry that the Finance Member has taken the position that the Joint Select Committee has said the last word of wisdom in all these subjects and that he is not entitled to accept any amendments however reasonable they may be.

**The Honourable Sir George Schuster:** I never said anything of the kind. I do not know which Joint Select Committee my Honourable friend has in mind. I am referring to the Joint Select Committee of the Indian Legislature.

**Diwan Bahadur A. Ramaswami Mudaliar:** I was only referring to the Joint Select Committee of the Indian Legislature. I was not referring for a moment to the other Committee.

**Mr. K. C. Neogy:** That was neither joint nor select.

**Diwan Bahadur A. Ramaswami Mudaliar:** The simple issue here is that not only are these dominions and colonial subjects included in the provision, but even foreigners are included. It is a matter of principle that in any case foreigners should be excluded. Now, my friend suggests that it is a very difficult matter to pursue and that it may not be possible to work out this inhibition if the amendment of Mr. Thampi were to be imported into the Bill. I would point out to him that nothing would be simpler than that. A list of shareholders is, I believe, filed with the Registrar of Joint Stock Companies every year. At any rate, that officer is in a position to call for a list of shareholders from any company which is registered under the Indian Companies Act in India.

**Mr. K. C. Neogy:** That is compulsory.

**Diwan Bahadur A. Ramaswami Mudaliar:** Sir, a difficulty will arise with reference to a shareholder who is not ordinarily resident in the country. Somehow or other, the Central Board or the Local Board or whoever is the authority for distributing dividends has to find out whether that shareholder is ordinarily resident in India or has left the country. In this case it is much simpler, because the annual return will show the composition of the shareholders—whether they belong to the class which come under the inhibitions in sub-clause (2)—domiciled or foreigners—or whether they come under the privileged class. My Honourable friend suggests that if the evil grows so large, then legislation can be undertaken. My Honourable friend will be faced with exactly the same difficulty when legislation has to be undertaken. We only want him to anticipate the day and to find out some solution here and now. He will then be in a position to find a solution. But I venture to submit that there is no difficulty in finding a solution when the list of shareholders is before the Government whenever they want to ascertain that list, and if, in any particular year, the Government, after a scrutiny of the shareholders, come to the conclusion that more than 25 per cent. of the shareholders are either foreigners or such citizens of dominions or colonies as discriminate against India, then that company goes out as a shareholder, it ceases to receive dividends, and it ceases to exercise the right of voting. My Honourable friend agrees that, immediately these shares are now allotted, there will be a certain number of companies composed of this class who will be entitled to it. I only want him to examine the logic of that position. It is not the danger that may arise hereafter; it is the position that arises immediately the allotment of shares is made that is in question, and I would venture to suggest that this is a very reasonable amendment. I had hoped really that the Honourable Member would have accepted the amendment, because, I believe, in the speech that he made in introducing the measure or in replying to the general discussion, he agreed that there was some point in the objection that was raised from certain quarters on this side of the House that sub-clause (3) is rather loose and does not shut out the sort of individuals whom we do want to shut out. Sir, I have no hesitation in recommending that this amendment should be accepted by the House.

**Dr. Ziauddin Ahmad:** Sir, I very frankly and boldly maintain that the Britishers who are temporarily residing in India may be given privileges equivalent to those enjoyed by the Indian nationals, but I wish that the Government should boldly come forward and take up this attitude instead of coming through the back door, or the *Chor Durwaza*. Now, we have got examples after examples of this kind. We have got the example of companies registered in this country, but composed of foreigners. May I ask the Finance Member whether a company of this kind would ever be registered in the United Kingdom, composed of foreigners and exploiting the Britishers in their own land?

**Sir Leslie Hudson** (Bombay : European). May I interrupt the Honourable Member? The Bata Company is registered in Great Britain and they have a factory in Great Britain.

**Dr. Ziauddin Ahmad:** Yes, that is just my point. May I know the conditions under which they are registered? Sir, they are not allowed to have anybody else except Britishers in their employ. This is really a very important point. Did we ever impose similar conditions on the Bata here which opened a kind of *Chor Durwaza* or backdoor through which foreigners come in large number than the persons for whom this back door has been made, and I think the time has now come when we should boldly assert our policy and not adopt the indirect methods that are sought to be adopted. I have always been against any discrimination. Sir, and I have always said that in matters of trade the British should have the same privileges as ourselves, but we are suffering under the great disadvantage that when we begin to legislate, all the talk about discrimination comes in; but when those very people adopt other methods, we on our part become helpless before the policy of combine, monopoly and similar things by which Indians are squeezed out. Therefore, I think we ought to be placed on equal terms if you want us to remove all discrimination against the Britishers themselves. Sir, we expect that they should also allow us to live and to let live. Sir, this kind of legislation is not quite peculiar. There are other countries in which they have legislated in the same manner. For example, I shall give you two articles from the Japanese Bank legislation which says this. Article 4 says:

"The Japanese alone shall be entitled to make, sell, purchase and transfer their shares."

Article 6 says:

"Any person who desires to become a shareholder of the Bank of Japan must obtain the permission of the State Minister of Finance."

Again, in the case of the Netherlands Bank, it is provided that only Netherlanders may be the voting shareholders. Then, the Chilians have divided their shareholders into two classes—nationals and foreigners. But we on our part allow these foreigners to come in, not only in a limited sense, but any millionaire may come in to this country and purchase as many shares as he likes even to the extent of a crore of rupees, because we are not putting any maximum limit. That is a point on which we have not yet decided about the maximum limit, though we have ruled out one particular form of limitation. Therefore, I should rather like that this question of foreigners should be treated on a different footing to that of the Britishers. Of course, on account of their peculiar position, we are intimately connected with the Britishers in some form or other, and I think

that we should boldly legislate in this particular direction and should not open the door for the foreigners to exploit this country. With these words, I very strongly support the motion moved by my Honourable friend, Mr. Thampan.

**The Honourable Sir George Schuster:** Sir, if you would allow me to intervene and say a few sentences, I think I can perhaps save the time of the House and prevent further speeches being made under the sort of misapprehension which apparently is harboured by my Honourable friend who has just spoken. There is no difference of opinion at all between us and Honourable Members on the other side and I thought I had made that clear. There has never been any question of using a back door for any purpose in connection with this clause. We have stated our purpose with complete frankness and I think the Select Committee's Report on the position is absolutely clear. The only question was whether it was possible to devise a practical measure for achieving my Honourable friend's purpose without going too far. We are perfectly prepared to accept a provision on the lines of my Honourable friend's amendment, but I do not think we can accept the exact amendment in the words in which he has moved it, because, as my Honourable Colleague, the Law Member, can point out, it would be extremely difficult to interpret. If it is the general feeling of the House that they would like some provision of this kind to be put into the Bill and they are not prepared to take the risk which we said in the Select Committee we thought was not sufficiently great to justify any special measures now, we are quite prepared to see if we can draft some provision which has some chance of being effective, and, therefore, I would ask you, Sir, to allow this question also to stand over with the other one till tomorrow and we will see whether we can evolve a workable amendment. There has never been any difference between us as to the object to be achieved.

**Mr. President** (The Honourable Sir Shanmukham Chetty): We are holding in abeyance more clauses than we have passed. Anyhow, to suit the convenience, the Chair holds this also in abeyance. No. 37 is barred by the decision on No. 34. Does Mr. Thampan desire to move amendment No. 38 which stands in his name?

**Mr. K. P. Thampan:** Yes, Sir, I wish to move it.

**Mr. B. R. Puri** (West Punjab: Non-Muhammadan): If I may be allowed to point out, 38 is a corollary to 39.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member has to make up his mind. No. 39 probably raises the issue in a more definite form. So, 38 will not be moved.

Raja Bahadur Krishnamachariar.

**Raja Bahadur G. Krishnamachariar:** I beg to move, Sir, the amendment that stands in my name, namely:

"That to sub-clause (3) of clause 4 of the Bill, the following proviso be added:

'Provided however that at least 75 per cent. of the total number of shares shall always be held by Indian nationals.'

Sir, I had prepared a long speech, but I find that whatever I had to say has already been admitted by the Honourable the Finance Member, and the difference between us is only to a very small extent. In his speech moving

[Raja Bahadur G. Krishnamachariar.]

that the Bill be taken into consideration on the 27th November, 1938, the Honourable the Finance Member said as follows:

"Take the question of share holding first. We on this side have not the smallest doubt that in practice considerably more than 75 per cent. of the shares will actually be held by naturally born Indians and we would go so far as to say that we think it right that that should be so."

Sir, the gist of my amendment is:

"Provided however that at least 75 per cent. of the total number of shares shall always be held by Indian nationals."

And my Honourable friend, the Finance Member, says that they are prepared to go so far as to say that they think it right that that should be so. So, nine-tenths of the position is clear. And then the Honourable the Finance Member went on to say:

"But we must take our stand on the position that, so far as the statutory provisions are concerned, no distinction can be drawn in this matter between Indian born subjects of His Majesty in the United Kingdom and not Dominions and English residents in India. That is an essential constitutional principle and the parallels quoted from the other countries will not apply."

So, the only question is: Is that constitutional principle of so great an importance and is it followed so rigidly on the other side of the seas, say, in England, in connection with institutions that any distinction of the kind that I make is obnoxious to the fundamental principle and, therefore, it should not be allowed to be on the Statute? If the position is considered, it comes to this. Everything that is required to secure, in order that you should be in a majority, has been secured for you. If that is so, why not say so in plain words. If you are quite sure that 75 per cent. and more of the shares will go to Indian nationals, why not say so and be done with it. If your provision is going to secure that, come by the front door and not by the *Chor Durwaza*, as my friend, Dr. Ziauddin, put it. If you are convinced of the fact, and I have no doubt that my Honourable friend is convinced of it, then what is the difficulty, what is the trouble, what is the hesitation and what is the risk that you will undergo if you put that provision in? Apart from that, the difficulty that my Honourable friend has been placed in in connection with Mr. Thampan's amendment will be immediately removed. The trouble is with respect to the amendment of my Honourable friend, Mr. Thampan, regarding which Diwan Bahadur Mudaliar said that you might have to go to a share register and all that sort of thing. What is it that you want to find out? You want to find out foreigners whom you definitely want to exclude and whom you have excluded under the provisions of sub-clause (3) (c) of clause 4. My Honourable friend said that there is no doubt that we do not want them. Sir, this question is not confined to the Indian Companies Act alone, because, later down, there is the provision:

"or a corporation or a company incorporated by or under an Act of Parliament or any law for the time being in force in any part of His Majesty's Dominions."

So, if you want to exclude a company which consists of mostly or purely of foreigners and the Finance Member is in difficulty in getting rid of it, accept my amendment. My amendment says that whoever may want to come in and whoever may like to buy the shares, only 25 per cent. of them will be available for distribution among them and the rest 75 per cent. shall,

as a matter of course, go to the Indian nationals. In view of the fact that the foreigners may, by some other means, come in and it is not possible for you to detect the thing, as the Law Member says that it is not commensurate with the result that you wish to achieve, then accept my amendment. Say that only 25 per cent. of the shares would be available to the foreigners, and then the whole difficulty will be solved. Consequently, I do not wish to take up the time of the Court. (*An Honourable Member*: "House!") Sir, for 23 years now I have had nothing to do with the Court and yet by some force of habit the thing will not leave me. I beg your pardon for that. I say that the principle underlying my amendment having been admitted, the question is whether the method suggested by the Bill or the method suggested by me would be more advisable. I submit that primarily there ought to be no difficulty in accepting my amendment. Consequently and in view of the difficulty enunciated regarding the other amendment, the whole thing will be absolutely solved and the way will be made clear if my amendment is accepted and I hope and trust that it would be accepted.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That to sub-clause (3) of clause 4 of the Bill, the following proviso be added :  
'Provided however that at least 75 per cent. of the total number of shares shall always be held by Indian nationals'."

**Mr. B. R. Puri**: Sir, in supporting this amendment. I take this opportunity of assuring my Honourable friend, the Member for Ambala, that I am not actuated by any spirit of hostility towards the Government. Sir, we were shocked to learn the other day that my Honourable friend, Bhai Parma Nand, had such a poor opinion about his own countrymen. He declared from his lofty seat that those of us, who were opposing the Government with regard to various amendments, were doing so in a sheer spirit of hostility towards the Government irrespective of the merits of the measure.

**Bhai Parma Nand** (Ambala Division: Non-Muhammadan): On a point of personal explanation. I did not mean that at all. I simply referred to the case of the Shareholders Bank and State Bank and said that I could not understand why those people, who were opponents of Government, were anxious to have a State Bank. It was on this account that I said that our position at this time was simply this: as Government had brought forward a Shareholders Bank, we took the position of pleading for a State Bank. I was not talking of any other matter or any other amendment.

**Mr. B. R. Puri**: I thank the Honourable Member for his explanation. I do not think he has improved his position. What I say is that my Honourable friend made a distinct and emphatic allegation that if the Government had actually brought forward a measure for a State Bank, we on this side of the House would have voted for a Shareholders Bank.

**Bhai Parma Nand**: I was trying to show. . . .

**Mr. B. R. Puri**: I have heard the Honourable Member once and I am not going to give way to him now. I am stating this openly and emphatically before the House that the allegation of the Honourable Member was that, if the Government had brought forward a State Bank scheme,

[Mr. B. R. Puri.]

we would have then in sheer opposition to the wishes of Government asked for a Shareholders Bank. I ask my friend to contradict me with regard to this particular assertion that I am making.

**Bhai Parma Nand:** You go on talking as you like.

**Mr. B. R. Puri:** If this is the opinion which my Honourable friend has about the nature of the work which we on this side of the House are undertaking upon our shoulders, I cannot congratulate him upon that opinion. But I should like to remind him that the insinuation which he has made is a very serious one. It amounts to saying that either we are dishonest people or idiots. As to our being idiots, let me assure my Honourable friend that all of us at any rate are not idiots, for I am free to admit that some of us who occupy this part of the House are mad-caps and mugwumps. A mugwump, as you know, is a man who has been educated beyond his intellect, that is where more knowledge has been stuffed into his brain than his brain capacity allows. And as to our honesty, we are trying to do our duty according to the best of our lights. If that does not come up to the high standard which my Honourable friend has, that is our misfortune. But, let me assure him that if to oppose a Government measure constitutes dishonesty, I would take pride in that dishonesty. Sir, we are here to guard the interests of our countrymen and, if we believe that a measure which a foreign Government is placing before the House is not in the best interests of our people, I make bold and state that to oppose such a measure is not only not dishonesty, but it is the height of honesty. We are here to stand up for the rights of those whom we represent and who have got no voice elsewhere. If to do this is dishonesty, then I make bold and say that I am in good company. Some of the illustrious and revered countrymen of ours, who have opposed the Government in the past, are such that my Honourable friend, Bhai Parma Nand, should consider it an honour and a privilege to sit at their feet.

**Bhai Parma Nand:** I doubt it.

**Mr. B. R. Puri:** My Honourable friend doubts it. Well, let it be so, but let me remind my Honourable friend that this alleged hostility, assuming we are guilty of it towards Government, is nothing compared with the charge of waging war against Government which my Honourable friend has to his credit.

**Bhai Parma Nand:** That is not a correct position of the state of affairs.

**Mr. B. R. Puri:** The Honourable Member was accused of waging war against the King and convicted.

**Bhai Parma Nand:** That was under a special Act at the time of the war, but what of that?

**Mr. B. R. Puri:** The Honourable Member was nonetheless convicted and sentenced to death.

**Mr. President (The Honourable Sir Shanmukham Chetty):** The Chair does not think all these are relevant to the amendment before the House. The Chair would ask the Honourable Member to come to the amendment.

**Mr. B. R. Puri:** Sir, before I proceed with the amendment in question, I would like to refer to the speech of the Honourable the Finance Member wherein he conceded that our aspiration, that 75 per cent of the shares should be secured for the Indian nationals, was a perfectly legitimate aspiration and that he was in entire sympathy with that object. Having conceded this and knowing that it raises a very important political issue, it becomes necessary that we should examine the question in all its possible details and I shall, therefore, with your permission, deal with some of the arguments which the Honourable the Finance Member has employed in the course of his speech delivered on the opening day in this connection. He says in effect that our object is fully safeguarded and that he has arranged the things in such a tactful manner, that our object must be achieved and that, therefore, there was absolutely no necessity for us to ask for a statutory provision being made in the Bill. If the thing is already secured according to him, without being expressed in so many words, why go and ask for a statutory provision which incidentally reminds us would offend against a well-known constitutional principle which, to our surprise, has recently been introduced. That is his position. Then he proceeds in his speech to show to the House how that object stands achieved by the various methods and manipulations all to be found in the Bill. Now, in order to see how far this claim of the Finance Member has been substantiated, I will ask the House to consider his arguments.

The first argument which he urged was that separate registers had been provided for specified areas and he says that this will assure an even distribution of shares throughout India. Granted; we do not say for a moment that it would not. But that only means so far as the position of the provinces *inter se* is concerned. The object there in view being that one province should not have an undue advantage over any other province. That is the only object; but how from this argument does it follow that in a particular province the non-Indians residing there would not apply for as many shares as they may choose to? What is there to prevent the English, the French, Germans, Italians or the Japanese residing there from applying for the bulk of the shares or at least for as many as Indians for an equal number of shares in a given particular province? But my Honourable friend, the Finance Member, has, for dearth of valid arguments, pressed this into an argument. How does it prove that because separate registers are going to be kept for separate provinces, therefore we are going to get a preponderance of shares? I do not see how this conclusion follows from this hypothesis. If my Honourable friend contends that the population of Europeans and foreigners compared with Indians is much less, I am willing to concede it. I know and I realise that numerically they are fewer compared with Indians. But what they lack numerically, they gain in other respects; for instance, educationally they are much better off, financially they are much better off than we are. (*Voice from European Benches*: "No, no.") I mean man for man. They are in a much better position to realise the advantages of an investment of this nature. (*Mr. F. E. James*: "That is intelligence.") If that is intelligence, then add to that intelligence their capacity. They have got better means and they have got better facilities on account of their education to appreciate the value of an investment of this kind. And let me here take this opportunity of reminding my Honourable friends on my left that if this Reserve Bank is going to be a great commercial institution, it is going to be a still greater political institution; and, therefore, the value of a share, the value of a vote, the value of an interest in an institution like that is not to be measured in terms of a dividend of five or six per cent.

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It would confer most valuable political rights, it would give you an opportunity of stepping in and controlling the destinies of this vast country through this Bank. Therefore, Sir, I contend that it is only stating half the case when you say that a five or six per cent dividend is not likely to attract English people and foreigners. It is not for that miserable amount of money, but for far more valuable political rights that non-Indians would desire to invest their money in this Bank. Sir, I am sure, they are not going to throw away the advantages which this Bill confers upon them. And I say that unless this privilege of buying the shares is curtailed by a specific legislative provision, there is no hope and there is no valid argument advanced to convince us that this pious wish of the Honourable the Finance Member is likely to bear fruit.

Now, Sir, I will proceed to examine the next argument which the Honourable the Finance Member has put forward in support of his contention. He says that in the first place applicants for five or more shares will be allotted five shares each; what is left over, if any is left over, that will be divided into two parts. One-half would be earmarked for the smaller fry, those who have applied for less than five shares, and the second half would be available for the big sharks, those who have applied for more than five. And, after stating this simple arrangement, he jumps to the most astounding conclusion that it, therefore, proves that we are going to have 75 per cent of the shares. Sir, I fail to see the connection between the two. In order to show the House that I am correctly stating the position of the Finance Member, I will read the very words which he has used in his speech. He says:

"In the first place the shares are to be kept on different registers which will assure an even distribution through India. In the second place, the allotment is to be made so that in the first place to every applicant for five shares" etc.

And then he goes on to say:

"We are quite certain that this will mean that Indians must get practically the whole of the shares at the outset, and we believe further.—and we are confirmed in this belief by many of those who appeared before us including Mr....."

(It being Four of the Clock.)

**Mr. President** (The Honourable Sir Shanmukham Chetty): Order, order.  
Mr. Das.

#### MOTION FOR ADJOURNMENT.

SECRETARY OF STATE FOR INDIA'S EVIDENCE BEFORE THE JOINT PARLIAMENTARY COMMITTEE RE INDIA'S RIGHT OF RETALIATION IN HER PARTNERSHIP WITH THE DOMINIONS AND COLONIES OF THE BRITISH EMPIRE.

**Mr. B. Das** (Orissa Division: Non-Muhammadan): Sir, I beg to move:

"That this House do now adjourn."

Since the 7th November last, the feeling of the whole of India, throughout the length and breadth of the country, has undergone a terrible shock.

The public and the Press have stood in consternation at the evidence that the Secretary of State tendered before the Joint Parliamentary Committee on the rights of dominion and colonial British subjects. The message that was transmitted through Reuters on the 7th November, troubled us very much.

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) vacated the Chair which was then occupied by Mr. Deputy President (Mr. Abdul Matin Chaudhury).]

Since, then, I admit, the Government of India have taken the trouble to place for our perusal the complete evidence and the memorandum that the Secretary of State placed before the Joint Parliamentary Committee. The present Government of India Act under section 96 provides that no British subject could be disabled from holding any office under the Crown in India. At present there is apparently no definition of the words "British subject". British subject means that anybody, any colonial, who lives in the outskirts of the British Empire, is entitled to hold posts and appointments under the Crown in India. The Secretary of State in the memorandum that he submitted before the Joint Parliamentary Committee wants to extend and provide in the Constitution Act that the dominion and colonial subjects should have further rights and privileges in India. I shall read only one portion of it. In paragraph 3 (i) of the memorandum it is stated:

"It is proposed that the Constitution Act should contain a general declaration that no British subject, Indian or otherwise, shall be disabled in British India from holding public office by reason only of his religion, descent, caste, colour or place of birth, nor on the same ground from practising any profession, trade or calling."

This is distinct enlargement of the rights and privileges of colonial and dominion subjects, when it is the acknowledged policy of the Government of India and also the desire of the people of India that these colonial and dominion subjects should be excluded from enjoying further rights in India. I would specially draw attention to the last part of my quotation:

"from practising any profession, trade or calling."

Today, any Ceylonese or anybody who may be living in Ceylon, Kenya or South Africa or any other dominion can occupy a place in the heaven-born services that administer us. But no Indian can go to the Civil Service in Ceylon or Kenya or any other place. Yet we find them still coming here. It is contemplated that not only any colonial or dominion subject, who is having any business, should go on and carry on further business in India, but the proposal that India should not discriminate, and that the Constitution Act should further give additional rights to the citizens of those colonies and dominions and widen the rights that were conferred on them by section 96, is the biggest surprise and humiliation to the people. I will quote one further passage from this memorandum:

"The Secretary of State further wants that the Constitution Act should provide that, in addition, it is proposed, the Constitution Act shall require reservation for significance of His Majesty's pleasure of any Bill which though not in form repugnant to the provisions enacted in sub-clauses (3) (ii) (iii) or (iv), the Governor General or Governor, as the case may be, in his discretion considers likely to subject to unfair discrimination any class of His Majesty's subjects protected by those clauses."

Not only is the Constitution Act going to provide that dominion and colonial subjects will enjoy further facilities, but it is also intended to

[Mr. B. Das.]

provide a section by which the Governor-General and also the Governors should have the right of looking into the administration of such discriminatory clauses. In the past, in our fights against discrimination, and retaliation against those colonies which discriminated against us, the Government of India and we were of one mind. I too hope that when today the Government spokesmen speak out their minds, they will also tell us that their policy has not changed and is not otherwise than has been expressed previously on the floor of this House. In the afternoon while I was discussing the discriminatory clause in the Reserve Bank Bill, I did point out that in the Joint Select Committee the Government spokesman, the Finance Member, and the spokesman of the European Group, Sir Leslie Hudson, showed us their great sympathy, and they were always in agreement with us, whenever we brought out any suggestions that the colonial and dominion British subjects should not have the same rights as the subjects of the United Kingdom, and that India should have the right of retaliation against them. What India wants is that the Constitution Act should not confer any further rights to the citizens of colonies and dominions, and whatever trading rights may be given to the subjects of the United Kingdom—and I take this occasion to say that I do not mind giving equal rights to the subjects of the United Kingdom, because Providence requires that India and Britain shall pull on together and for the good understanding between the two countries it is better that we do not raise those bogeys that emanated from the Bombay side that there should be trade discrimination or racial discrimination—I may point out that those bogeys were raised five years ago and for that we have lost lots of ground—I would, as I say, like to concede, and it has been rightly conceded by the Indian representatives at the Joint Parliamentary Committee, equal rights to the subjects of the United Kingdom; but I would never concede to any colonial or any dominion British subject such larger rights: rather I would like that nothing should be provided in the Constitution Act; and, as the Constitution Acts of South Africa and other dominions have got the right of discrimination against Indians, so the Constitution Act of India should provide that the Indian Empire should have the right to discriminate against any dominion and should not in any way offer any facility to those subjects to take advantage under those sections.

I found that one point came up for discussion: that colonial and dominion subjects can enter India as British domiciled nationals: there is no definition at present of British domicile; and, therefore, I object to the definition in 3 (i) of the Memorandum that "place of birth" should be omitted from the Constitution Act. Anybody who is not born in the United Kingdom or in any part of British India should be excluded from enjoying any such rights and privileges in British India. Sir, I feel very grateful, particularly to my old friend, Choudhry Zaffarulla Khan, who had the privilege of being the acting Member of the Government for Education, Health and Lands when my Honourable friend, Sir Fazl-i-Husain, was away on leave, for the way he stood up for the rights of Indians. He pointed out in one question:

"Could you give any reason why this is not also based on reciprocity, and why it is necessary . . . ."

**The Honourable Sir Brojendra Mitter** (Leader of the House): What is the number of the question, please?

**Mr. B. Das** It is No. 15528:

"Can you give any reason why this is not also based on reciprocity and why it has been necessary to give this protection to British subjects domiciled in the Colonies or British subjects in the Dominions, whereas Indians admittedly do not enjoy these rights in the Dominions and the Colonies?"

I do not wish to read the reply of the Secretary of State which was given in a very general way. Then I will read another question put by our friend, Choudhry Zaffarulla Khan:

"But do you think that it is consistent, or rather, that what has happened in the past is consistent, that the Secretary of State for India has not insisted on, or, if he has insisted, he has not been successful in his efforts to obtain equal treatment for Indians in the Dominions, and that he should as the result, either of his neglect or his failure to succeed in his efforts now insist that the present most inequitable position should be perpetuated by Statute?"

The Secretary of State, of course, gives a most apologetic reply and says:

"I would not accept the stricture upon my predecessors. I would say that it had been a part of British and Indian policy in India over this century not to draw distinctions in India itself between one national of the British Empire and another, and it is upon that ground that I stand in making this proposal."

Sir, I do not agree with that proposition, and, of course, the Indian delegates there did not agree either, and the only solution that the Secretary of State says there is, is that India has the right to prohibit their entry into India, that India can legislate, and in one place Choudhry Zaffarulla Khan rightly pointed out:

"Do you want that the Indian Legislature should exercise that right and legislate to prohibit every colonial and dominion British subject's right of entry into India?"

Sir, nobody wants to exercise that right, and why should the Constitution Act thrust on us the necessity of taking action, of taking that extreme step, by providing an expanding clause, we cannot understand.

Another thing I wish to draw the attention of the House to is this . . .

**Mr. Deputy President** (Mr. Abdul Matin Chaudhury): The Honourable Member has got only two minutes more.

**Mr. B. Das:** Very well, Sir; I shall finish in two minutes. Sir Hubert Carr asked in question No. 15756:

"Then the commercial discrimination, which is a special responsibility of the Viceroy will include such items as are set forth in your paragraphs 3 (i) and (ii))."

and the reply of the Secretary of State was:

"Yes."

Then, in another place, Sir Hubert Carr was very anxious to see that though the dominionwallas are at present enjoying the privileges of being servants of the Crown in India, their future rights should be protected. Although I know that my friend, Sir Leslie Hudson, fully sympathises with us and agrees with us that dominion subjects should be discriminated against, I did not like the way Sir Hubert Carr put those questions. Sir, I have not read the memoranda of commercial discrimination submitted

[Mr. B. Das.]

by the Associated Chambers of Commerce to the Joint Parliamentary Committee, but I do hope that no dominion subject will come through the backdoor as being British subjects and get any trading rights in India and try to kill the trade for which my friend, Mr. Mody, and my friend, Sir Cowasji Jehangir, stand. I will just conclude, Sir. I would say that the Press in India downward from the *Hindu* to the *National Call* and the *Hindustan Times* have condemned the idea of giving new powers to the subjects of the dominions and colonies and I hope that Government have appreciated that unanimous protest and apprised the situation in the country to proper quarters, and that, when they reply, they will tell us that they share the fears and apprehensions of the country in this matter,

**Mr. Deputy President** (Mr. Abdul Matin Chaudhury): Motion moved.

"That this House do now adjourn."

**Mr. H. P. Mody** (Bombay Millowners' Association: Indian Commerce): Mr. Deputy President, I wholeheartedly support the object underlying the Resolution which has just been moved by my Honourable friend, Mr. B. Das.

Sir, there are two schools of political thought in this country with regard to the value of closer co-operation between Great Britain and India in the political and economic spheres. There is a large and a powerful section—and we cannot deny that—which derides the value of that connection, but there is also a large and growing section which sees in it the hope of a very bright future for both countries (Hear, hear), and to the extent to which there is straightforward dealing and fairness on the part of responsible people in Great Britain and a proper appreciation of the difficulties of a dominion which is in its infancy and is growing as India is, to that extent, Sir, the class of people who stand for the British connection will grow in strength and influence. But, Sir, having said that, I would like to go on to say that there is only one school of political thought with regard to the relations of India and the Dominions; I do not know of any single responsible politician or any single organization or any section of the public which does not wholeheartedly condemn and which does not burn with indignation at the treatment which is being meted out to the nationals of this country in many parts of the dominions of His Majesty. (Applause.) Sir, it is very often forgotten how much this one factor has undermined the prestige of the British race, and how much it has loosened the ties which connect India with Great Britain. Now, why is it that it is sought in this year of Grace to take no note of this deep-seated sentiment, but on the other hand to strengthen even more the race arrogance and the privileged position which the dominions have been allowed to occupy for all these years?

So far as one could study this memorandum,—and I am afraid we have had very little time to do it in,—three reasons have been advanced by the Secretary of State. One of the reasons is that this memorandum does nothing more than perpetuate the present position. I venture to take exception to that statement. The Secretary of State in his memorandum quotes two things in this connection—section 96 of the

existing Government of India Act reproducing in substance section 87 of the Government of India Act and providing that:

"No native of British India nor any subject of His Majesty resident therein shall, by reason only of his place of birth, descent, colour or any of them be disabled from holding any office under the Crown in India."

The general declaration, however, which is embodied in this memorandum and which is applicable to subjects of the dominions goes, in my opinion, a great deal further. It forbids disqualification not only with regard to the holding of public office, but also with regard to the practising of any profession, trade or calling. I submit, therefore, that the defence made by the Secretary of State cannot be borne out by section 96 of the Government of India Act, nor is the Secretary of State right when he places reliance, a little further on, on the resolution adopted at the First Round Table Conference. Speaking with first hand knowledge as one who had had a great deal to do with the drafting of the particular clause referred to, I venture to say that it is altogether incorrect to say that it gives sanction to the proposals embodied in the memorandum. It was distinctly understood when this clause was put before the Round Table Conference—it was evolved in an informal committee at which Lord Reading and the European representatives took part in discussions with some of us—it was distinctly understood that the insistence on reciprocity was meant primarily as a safeguard against the dominions which were not meting out equal treatment to us. Therefore, I am right in maintaining that this memorandum goes a great deal further than the provisions and recommendations on which the Secretary of State relies for the suggestion that it is merely a perpetuation of the present position.

I shall not enter upon a discussion of disagreeable matters. Even Statutes and solemn declarations of British statesmen from time to time have been violated in the spirit very often in the past, if not in the letter. It is an unhappy chapter and I shall not dwell on it. All that I shall say is that to rely upon these sections and declarations, as if they were something which could not possibly be departed from under any conceivable circumstances, is altogether wrong.

My second argument is, even if this be merely the *status quo*, that is no longer acceptable to the people of this country. Why is it that all these years these declarations which give to subjects of the dominions the same equal position with regard to the holding of any office under the Crown in India—why is it that that provision is still alive? It is so, because of the utter helplessness of the Indian public. If the Indian public had their own way, they would have seen to it that this section was a dead letter so far as India is concerned. But, Sir, not only is the Indian public helpless, but the British Government too have been helpless in the face of the autonomy which has been conceded to the dominions, and that is why all these disabilities from which we are suffering in the dominions cannot possibly be retaliated against in India.

There is another objection to our allowing the same state of things to continue. This stigma of inferiority, this humiliation that the nationals of this country should be treated and continue to be treated, in spite of all the agitation and all the protests from this country as well as from the British Government, as inferior human beings, and that this country should be helpless in the matter of retaliation, can no longer be tolerated, and

[H. P. Mody.]

I venture to think that one of the first acts of a self-governing India will be to retaliate, and retaliate heavily, against those who mete out the treatment that we receive in some of the colonies and dominions. As a softening of this blow, it has been suggested by the Secretary of State not only in the memorandum, but also in answers to various questions, that, after all, the right of barring the entry of colonials is conceded to India. Is that a concession to India, or was that a concession to the dominions which had to be made at the Imperial Conference of 1917? If India had clamoured for that right, she would never have got it, but because the dominions were getting more and more powerful and their autonomy carried with it the implication that they could stop the immigration of people from other parts of the Empire, this right of barring entry was conceded. And India merely came in, because it was impossible to shut her out, she being a party also to these Imperial Conferences.

Now, what is the use of this right which is given to India to bar the entry of colonials? The problems of India are very different from the problems of the dominions. We are suffering from an over population, a population growing at an alarming rate, necessitating the emigration of people, because of the enormous pressure upon a land which is incapable of sustaining even the present weight of the population. Are the dominions in the same position? Canada is much bigger in size than India, and has yet a population of only nine millions. Australia has got a population of something like six or seven millions. Australia is a great deal larger in size than India. They do not want to send any of their population. Their needs are more population, not less. Therefore, it affects the dominions very little to say, "We shall not allow your nationals to come into our country", so long as those who are already there cannot be touched.

It has also been said that we have got the right of making reciprocal treaty arrangements with the dominions. Perfectly true, but are we in an equal position? Here we are tied hand and foot, and we are asked to expect from the dominions some measure of reciprocity! I say, it is absurd to expect that India will be in a position to enforce her will upon the Dominion Governments, handicapped as she is by her inferior position.

For all these reasons, I say that this memorandum is one which India must protest against with one voice, and this is precisely the forum where the voice of India can be heard with the greatest unanimity and with the greatest force. My Honourable friend, Mr. B. Das, in bringing forward this adjournment motion, has done a distinct service, and, I hope, that not a single voice will be heard in this House against the adjournment motion, nor any attempt made to explain away the implications of a document which is of a most serious import so far as the status, the dignity and the position of India are concerned. (Applause.)

**The Honourable Sir Brojendra Mitter:** I intervene at an early stage of this debate in order to explain the attitude of the Government on this motion.

Government are fully aware of the depth of feeling on this subject in India. We are aware that there is one undivided opinion throughout this country. This House knows that the Government's policy, hitherto followed with regard to this matter, has been in accord with the public opinion of the country. In answer to a specific question which the Mover of the motion put, whether there has been any change in the policy of the Government of India, I say that there has been none. (Cheers.) Our

policy is the same today as we have always followed in regard to this matter. From this it follows that we have full sympathy with the object underlying this motion. But, Sir, at the same time I should like to remind the House that the Secretary of State's evidence should be examined in its true perspective. I am anxious to emphasise that in the debate things which he did not say should not be put into his mouth, nor what he did say should be distorted. There is some justification for my making this observation, because Mr. B. Das, who moved this motion, referred to sub-clause (6) of paragraph 3 of the Secretary of State's memorandum. If my Honourable friend had taken a little care, he would have seen that that sub-clause has no reference to the Dominions. It has reference only to the United Kingdom.

**Mr. B. Das:** It has not been so interpreted by some of the members of the Indian Delegation.

**The Honourable Sir Brojendra Mitter:** Sub-clauses (2), (3) and (4) refer to the United Kingdom. Sub-clause (6) says this:

"In addition it is proposed that the Constitution Act shall require the reservation for the signification of His Majesty's pleasure of any Bill which, though not in form repugnant to the provisions indicated in clauses (ii), (iii) or (iv), the Governor General in his discretion considers likely to subject to unfair discrimination any class of His Majesty's subjects protected by those clauses."

Sir, His Majesty's subjects protected by those clauses are only United Kingdom subjects and not dominion subjects. There is thus a risk of our going beyond the actual evidence and reading into the evidence things which are not there; and I want to warn the House against doing that, because that will only detract from the value of our debate. The more sober, restrained and reasoned the debate is, the more effective it is likely to be. I have very carefully gone through this evidence and it strikes me that some of the criticisms which have been made are valid. I can assure the House that so far as the Government of India are concerned, they will press all valid criticisms on the Secretary of State and the Secretary of State, I am sure, will be only too glad to place all those considerations before the Joint Select Committee. From his evidence it is, to my mind, clear that the Secretary of State put forward certain proposals; not that those proposals were final, or that the Secretary of State would in all events stand by them and would not agree to any modification. I can assure the House that he will place before the Joint Select Committee all the considerations which may emerge out of the debate in this House. Having said that, let us see what the Secretary of State's evidence comes to. If it falls short of our existing rights, then certainly we should press that point on the Secretary of State. If it be the view of the House that we want absolute equality with the dominions in dealing with their nationals as they deal with our nationals in their own country, that will also be placed before the Secretary of State. But we must be certain about what the Secretary of State has really said. The Secretary of State undoubtedly considers that the main weapon against the dominions is the right to refuse entry. Mr. Mody, in criticising that, said: "Oh, that right is a mere nominal right. It has no value, because our country has got a very large population and the dominions have small populations and it is not likely that dominion nationals should like to come to this country, whereas our nationals are

[Sir Brojendra Mitter.] in several of the dominions". Sir, I wish to point out that this is not a mere nominal right. It is a valuable right. If you look at sub-clause (I) of paragraph 3 of the Memorandum, you will find that the rights which are conceded by the declaration there are rights to be exercised in India. It says:

"It is proposed that the Constitution Act should contain a general declaration that no British subject (Indian or otherwise) shall be disabled in British India from holding public office by reason only of his religion, descent, caste, colour or place of birth, nor, on the same grounds, from practising any profession, trade or calling."

Therefore, the rights which are being given to the dominion subjects are rights which are to be exercised in India. The right of entry in that connection must certainly be a valuable right. What the Secretary of State says is this: "You have got the right to refuse entry. You can impose conditions. You can do anything you like with regard to that right, and the rights which are being given to the dominion subjects are subject to your right to refuse entry". Therefore, this right to refuse entry is a valuable right, not a mere paper right.

**Mr. H. P. Mody:** What about those who are already settled? How does it affect them?

**Mr. F. E. James** (Madras: European): If a dominion subject of His Majesty already resident in India leaves the country and comes back again, how is he affected by the right that is now proposed to be given?

**The Honourable Sir Brojendra Mitter:** I have not recently looked up all the Statutes in that connection, but offhand I should say that the right to refuse entry would carry with it the right to refuse entry for the second time.

**Diwan Bahadur A. Ramaswami Mudaliar** (Madras City: Non-Muhammedan Urban): Following the Australian precedent, the Secretary of State says that the right of entry means the right of re-entry to those who have once entered this country.

**The Honourable Sir Brojendra Mitter:** I say offhand that the right of refusal of entry would carry with it the right to refuse entry the second time, but, if there be any doubt on that point, certainly that is a matter to which we would call the attention of the Secretary of State. What I was submitting in this question of right to refuse entry was in answer to what Mr. Mody said that this was a mere paper right and that it had no practical value. I may say that the right which we now possess cannot be exercised against those who are already in the country. Undoubtedly there is that distinction. Sir, with regard to this right to refuse entry, there is nothing to prevent disabilities or restrictions being imposed on dominion subjects on grounds of domicile or duration of residence. If you analyse sub-clause (I) of clause 3, you will find that the reasons there are religion, descent, caste, colour or place of birth. Domicile is not mentioned there; residence is not mentioned there; duration of residence is not mentioned there. You find that is in the second sub-clause. In the second sub-clause, which deals with the United Kingdom, those words appear and, towards the end of that sub-clause, you find again statutory disabilities based upon domicile, residence,

duration of residence,—not upon race, religion or place of birth. Therefore, it follows that, in so far as dominion subjects are concerned, we can discriminate on the grounds of domicile, of residence, or of the duration of residence. Duration of residence is important, because under our existing law, for instance, any foreigner can acquire a domicile in India after one year's residence. The value of this right to refuse entry lies in that we can impose conditions or restrictions on the ground of domicile, on the ground of residence or on the ground of the duration of residence. And, in answer to my Honourable friend, Mr. James's question, I would say that in the matter of re-entry certainly duration of residence would be a material factor. Sir, I desire also to point out that the rights that are given to the dominion subjects are much narrower than the rights which have been given to the United Kingdom subjects. The rights which have been given include rights to hold office, which already exist under section 96 of the Government of India Act. The only additional right given there is the practice of any profession, trade or calling. Now, to that extent, it is a limitation upon our existing rights, and, if the House so desires, we shall call the Secretary of State's attention to this point.

Sir, before I sit down, I wish also to point out that this memorandum, which the Secretary of State submitted to the Joint Select Committee, is certainly less restrictive than paragraph 122 of the White Paper. Sir, I have assured the House, that we shall forward to the Secretary of State all the objections that are taken here, and all the suggestions that are made here. (Applause.) Sir, I do hope that in dealing with the Secretary of State's evidence, care should be taken that it is examined with fairness and restraint.

**Mr. F. E. James:** Sir, I think it is hardly necessary to assure Honourable Members of the House of the sympathy of these Benches with the motion moved by my friend, Mr. Das. I have only to remind the Members of the House of the attitude which has from time to time been taken by these Benches in regard to the question of discrimination against Indians abroad. I would remind the House of the yeoman services in this connection rendered by a former Leader of this Group, Sir Darcy Lindsay, who was a member of the Delegation which went to South Africa in 1926 and who never ceased in season and out of season to champion the cause of Indians abroad. (Loud Applause.) I can only say that it is our desire that we should follow the same tradition today. (Hear, hear.)

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) resumed the Chair.]

Sir, I would like to remind the House and particularly my friend, Mr. Das, that the claim of our community which I and others were privileged to put before the Joint Select Committee was that there should be no discrimination as between the rights of British mercantile and trading firms and companies trading in India and the rights of Indian-born subjects; and we claimed that, because in the United Kingdom and Northern Ireland, Indian interests are similarly granted unbiased treatment. There should be reciprocity. Our claim was recognised by the Round Table Conference in their Resolution of 1931 and it was there recommended that these rights should be regulated on a reciprocal basis. Now, in the memorandum of the Secretary of State—and I would remind the House that that memorandum is only a memorandum, it is by no

[Mr. F. E. James.]

means the final word; it is a memorandum which was circulated as a basis for discussion.—the Secretary of State makes it perfectly clear from time to time that the basis of this right throughout the discriminatory clauses is reciprocity of treatment. That fact comes out again and again in the course of the Secretary of State's cross-examination. You will find in paragraph 3, sub-section (v), a definite provision for complete reciprocity. It is provided that if the United Kingdom places any restrictions, disabilities or conditions affecting Indian subjects of His Majesty or companies incorporated in India, then, in respect, of those particular clauses—sub-clauses (ii), (iii) and (iv) of paragraph 3, in respect of that protection against discrimination, the Indian Legislature will not be debarred from imposing a like restriction on the same grounds. That, I submit, is complete proof of the *bond fides* of the Secretary of State and also of our own *bond fides* in regard to our demand for protection against discrimination in this country. Now, there does appear to be some illogicality in the application of clause 5 of the Secretary of State's memorandum. Clause 3 (i), repeating the general provisions of section 96 of the Government of India Act, is an all-inclusive one, and I think everyone in this House would be willing to agree that, as a general principle, it is a very desirable one if it were accepted throughout the Commonwealth. But unfortunately those principles are not accepted in the major portions of the Commonwealth. In fact, they are flagrantly violated in some of the dominions and particularly in South Africa. I have only to remind Honourable Members of the House that today in South Africa, in certain parts of South Africa, trade is the only avocation open to Indians and that on a very restricted basis; and Government, railway and municipal services, and professions such as medicine, law and engineering are closed to Indians altogether; further, they cannot own land or farm, or migrate to other provinces from the Transvaal. Now, Sir, it must be admitted that the dominions have a perfect right, owing to their relationship with the United Kingdom, owing to their independence of one another, to discriminate, and they have a perfect right to restrict immigration. It is only one of the privileges attaching to what is commonly called dominion-hood or dominion status. It has been recognised in successive Imperial Conferences and it is now laid down for ever as far as this generation is concerned certainly, in the relations of the Commonwealth which are defined in the Statute of Westminster. But, Sir, while the dominions—and, indeed, the colonies, subject, of course, to the overriding authority of the Secretary of State for the Colonies,—while the dominions are free in this matter, the acceptance of this general provision in the Secretary of State's memorandum restricts the right of India to retaliate and strikes, to my mind, at the very root of reciprocity on which discrimination and protection against discrimination should be based. We feel that in this matter we can speak to the House with a perfectly clear conscience, because, from the very beginning, we have made our claim for protection, a claim which is based upon reciprocal privileges given to Indians in the country from which we come. In fact, in some senses the Secretary of State's memorandum would place a dominion subject of His Majesty in a position in this country which is even more privileged than the position in which I hope to be placed under the new Constitution; because the protection which I obtain by Statute, or which I hope to obtain, will be largely based upon reciprocal advantages whereas the protection which a subject of His Majesty coming from South Africa is placed in this country will not be based upon that, but will be permanent.

whatever his country does in respect of Indian nationals living in that land. Sir, the Secretary of State's position has been made perfectly clear up to date. It is based upon a reference which is made in the Act of 1883 and which is reproduced in substance in the declaration of Queen Victoria of 1858 and has now been reproduced again in substance in clause 96 of the Government of India Act. I may here observe that it has been pointed out in another quarter that the original declaration had nothing whatever to do with the dominions for it was made before the dominions were created. It was a reference purely and simply to the position of Indian-born subjects of His Majesty holding office under the Crown in this country and had nothing whatever to do with the position of the dominions. That is a question which has arisen as a matter of historical development, but the original intention of that clause on which the Secretary of State bases his opinion did not include any reference whatsoever to the position of His Majesty's subjects from the dominions in this country. Now, Sir, the Secretary of State does not wish to introduce a new weapon of discrimination. It is true, as the Honourable the Law Member has pointed out, that perhaps he has given to India some slight increase in the power of the weapon which she already possesses. He has introduced a provision which would give India the right to refuse the entry to dominion or colonial subjects of His Majesty or to regulate such entry by agreement between the dominions and India or any of the colonies and India. Now, Sir, nobody wants to introduce any principle of retaliation in the relationships between the component parts of the Commonwealth, if a general principle of non-discrimination and free entry can be accepted throughout the Commonwealth. But, surely, if that cannot be adopted—and I see no chance of its being adopted in the present generation—, then it is not unreasonable that India should ask that she should be placed in precisely the same position as the other countries. As far as I understand the position, India does not want to retaliate. She did not begin it in any case. For years she has suffered retaliation; she has suffered discrimination against her own citizens in the dominions comparatively silently. It is only in recent years that her self-respect has begun to grow and she has awakened to the responsibility of her citizens abroad. Now, Sir, if her self-respect is involved—and it certainly is involved in this matter—I think we are perfectly right to remind the Secretary of State and also the Members of Parliament, who will be dealing with this matter, that self-respect is sometimes in the history of nations even more important than precise political definition. (Applause.) I am quite sure in my own mind from my association with Indians of all classes in this country—and I am satisfied on this point—that the power of retaliation or the principle of reciprocity will never be used unreasonably and it will never be used with any loss of dignity on the part of the Indian Government. It will, I believe, if it is enshrined in the Government of India Act, only recognise the principle that is actually being acted upon in other parts of the Commonwealth and has been acted upon in the past in the Colonies. It will only enshrine the principle of reciprocity which must be the basis of relationships between the Indian nationals in Great Britain and European British subjects from Great Britain in this country. That principle has already been adopted by the Secretary of State and we are only suggesting to him that he should extend the same principle in the relationship of India to her dominions.

There is a broader aspect of this question to which a reference was made by my Honourable friend, Mr. Mody, in a very moving part of his speech,

[**Mr. F. E. James.**]

Many of us, when we contemplate the future, contemplate India as a willing partner in a British Commonwealth of Nations. In fact, some of us think of the time when the British Commonwealth of Nations will give way to an Indo-British Commonwealth of Nations in which India will be a free and equal partner. There are men in different parts of the country who are devotedly working towards that ideal. They run the gauntlet of much criticism; they have to take in their hands political courage; in many cases they take in their hands their own political lives. What can they think of the possibility of such an ideal, when they find that, whereas the dominions in the Commonwealth which they seek to enter can discriminate violently against Indian residents there, Indians are not permitted to do so in their own country to the same extent. Admittedly, India is not a dominion, nor are some of the colonies which have already discriminated against Indian residents in their country. If the principle of reciprocity is accepted between Great Britain and India, why not between the dominions and India? I have not yet met an Indian who has not come back from the United Kingdom even after his short residence there, who has not spoken with pride of the freedom which has been accorded to him as a subject of His Majesty. Nor have I met an Indian yet who has resided for any length of time in any of the dominions, with one exception, who has not come back and spoken with humiliation of the position of his fellow-countrymen in that country. Sir, the Secretary of State, I am convinced, is as eager as any Member of this House that India should attain her right position in the comity of nations within the Commonwealth. Of that I am convinced. My friends may question that, but those who have met the Secretary of State and who have worked with him and those who know the difficulties with which he has to contend, will say that there is no one who is more sincere in his intentions towards India; there is no one whose vision has grown broader and bigger in the last few years since he has handled the Indian problem.

I hope, Sir, that nothing will be done in the course of this debate in this House to discourage the Secretary of State in his great task;  
**5 P. M.** but I hope that he will see the unmistakable feeling of this House that some arrangement should be made whereby his own position may be so amended that it will satisfy to a greater extent Indian opinion. If he can only do that, he will not only satisfy India's self-respect, but he will strengthen the hands of those who are working for a closer Indo-British co-operation, he will regulate the position with regard to discrimination throughout the Empire and he will give India a place in the Commonwealth to which she hopes one day to enter as a free partner, at least a place to which we believe she is entitled, a place in which she can act as she chooses in regard to the rights and liberties of her citizens in her own country and abroad. (Cheers.)

**Mr. K. C. Neogy** (Dacca Division: Non-Muhammadan Rural): Sir, it is not without some amount of appropriateness that the progress of the Reserve Bank Bill has been interrupted for the purpose of discussing this very important issue, for we have been told by people on both sides of the House that apart from the intrinsic merits of the institution, a Reserve Bank must be established in India as a condition precedent to our having the new reforms, and that we should not be too critical in our examination of the details of this Bill having regard to that important consideration. Now, Sir, to my mind this particular motion enables us to examine the value of the Constitution which we are likely to have, and in expectation of which we

are advised to subdue our criticism of the various details of the Reserve Bank Bill. In a word, I take the Secretary of State's memorandum as the acid test of the value of the White Paper Swaraj.

Now, Sir, so far as the discussions at the various Round Table Conferences go, I think there has been a steady worsening of the situation regarding the point of the present motion. I have read the discussions of the first and the subsequent conference and when I compare the position taken up by the Secretary of State in this memorandum, I find that this places India in a worse position than would have been the case if what the first conference had decided upon on the question of commercial discrimination had been accepted *in toto*. It will be remembered that at a meeting of the Federal Structure Committee of the Second Round Table Conference, Mr. (now Sir Edward) Benthall discussed this point of commercial discrimination in an elaborate speech. I have no intention of quoting his speech on this occasion, but, I am sure, my Honourable friend, Mr. James, and others would bear me out when I say that, in the whole of that speech, there was no idea in the mind of Mr. Benthall, as representing the British interests in India, to put forward the claims of the colonials to be treated on the same footing as genuine Britishers so far as commercial discrimination went. No doubt he did refer to the passage in the Government of India Despatch, dated September 1930, which runs as follows:

"Subject always to India's right to receive reciprocal treatment, the citizens of any part of the Empire should be allowed to enter India freely, to engage freely in any trade, business profession or calling and when established in India to receive just treatment."

Then he added:

"That is just our claim."

In the remainder of his speech, it was a very long speech, he never for a moment came back to the question as to whether the British interests in India desired the colonials to be put exactly in the same position as a genuine Britisher in this regard. Therefore, I say, Sir, the position has steadily worsened. It has already been pointed out that the Secretary of State was not right when he cited section 96 of the present Government of India Act in support of his contention that the provisions of his memorandum merely continued the position as contemplated in that particular section of the Government of India Act. As a matter of fact, several words have been added to the wording of section 96 of the Government of India Act, to which attention has already been drawn by my Honourable friend, Mr. Mody. The second point which the Secretary of State made was that, apart from this statutory precedent, there is the tradition of a century behind the position which he was taking up in that memorandum. In this connection, he referred not only to the Queen's Proclamation, but also to the year 1833, evidently having had the Charter Act of that year in mind. I have taken some trouble to read the literature bearing on the history of section 87 of the Charter Act, 1833. I think my Honourable friend, Mr. Mudaliar, when he gets up to speak, will make a quotation from a Despatch from the Court of Directors, dated December 10, 1834, which accompanied the Charter Act of 1833, and where, in several paragraphs, the provision of section 87 is explained. When my Honourable friend places that portion of the Despatch before this House,—if he does, I hope he will, because I have not got a copy of the book with me, he has,—the House will see that what Parliament had in mind in 1833 was the conferment of a privilege upon the natives of India and it had nothing to do with any British subject whatsoever. Although in

[Mr. K. C. Neogy.]

this section reference is made not merely to natives of British India, but also to other subjects of His Majesty resident therein, the second clause was not intended to cover the case of any colonial, not even any genuine Britisher. Sir, if my Honourable friend, places that portion of the Despatch before the House, it will be seen that what the Parliament had in mind was the position of those that are now known as Anglo-Indians, because that was very much in doubt in 1833—of course the position of Anglo-Indians has been since clarified and they have been declared to be statutory natives of India. The first clause relates to the native Indian subjects and the second clause relates to other subjects of His Majesty residing in India; and the latter expression was intended to include the Anglo-Indians and other domiciled people in British India. In further support of this view of mine, I can place the explanation which was given before the House of Commons itself by Charles Grant who was in charge of this Bill in 1833. Referring to this particular clause, he gives a free paraphrase and says:

"It is intended to enact that no native British subject shall be under disabilities to hold any office or employment under the Government on account of birth, descent, religion or caste etc."

Well, Sir, he was at that very moment introducing the Bill, and this was merely an explanatory statement of the particular provision which was section 87 in the Act of 1833 and is section 96 in the present Government of India Act. What, therefore, the Parliament had in mind in enacting this provision was the conferment of a right in an unequivocal manner upon the native subjects of His Majesty. With the change of times and circumstances, however, the wording of this particular section has been given a much wider interpretation than was in the mind of the original framers of this enactment in 1833. It is not, therefore, correct for the Secretary of State to say that the tradition of a century is behind the maintenance of any particular privilege of the Britisher or the Colonial in this regard.

Now, Sir, there is another point with regard to which I have to criticise the Secretary of State's replies before the Joint Parliamentary Committee. I hope the Honourable the Law Member will not hold me guilty of either putting anything into the Secretary of State's mouth which he has not said or of misinterpreting him. Sir, questions were asked with regard to the definition of domicile, because the House will remember that the Secretary of State wants to place the colonials, who may be domiciled in the British Isles, exactly in the same position as a genuine Britisher is. A few questions were asked on that point and it was my friend, Mr. Joshi, who wanted to have a definition of the word "domicile". I know it is very difficult to define the word "domicile" in a very few words, and this is what Mr. Joshi said:

"My fear is that if you use the words 'British subjects domiciled in the United Kingdom' without any definition, the Colonial British subjects will be included."

Then the Marquis of Reading said:

"Only those domiciled in the United Kingdom."

Then there was a further discussion as to what this expression exactly meant and then the question was referred to Sir Malcolm Hailey as a lawyer, I do not know why. This is what Sir Samuel Hoare said:

"Sir Malcolm Hailey is more of a lawyer than I am. He will tell you about domicile."

And, then, Sir Malcolm Hailey gives us his assistance in the matter:

"There are various ingredients in the legal composition of 'domicile', but I think, for the present purpose, Mr. Joshi might take it that it means residence, very broadly."

Now, therefore, any Colonial residing "very broadly" in the British Isles would be entitled to the same treatment as we are expected to mete out to a genuine Britisher, say a Britisher like my Honourable friend, Sir Harry Haig. Sir, is that a satisfactory position from the Indian point of view? I should like my Honourable friend, the Leader of the House, to tell us whether Government support the Secretary of State in this particular matter. We have been told, Sir, that these provisions must be based only upon reciprocity. I am very glad to have the enthusiastic support of my Honourable friend, Mr. James, and his Group in this particular matter, but I should like to put a point to my Honourable friend, Mr. James, as also to the Leader of the House. Are we not confusing domicile with nationality? If Indians suffer from any disabilities,—and they do suffer from many in the various parts of the Empire,—do they suffer from those disabilities as Indians or not? If I were to be domiciled in Great Britain even in the correct technical sense, and not in the sense of "broadly residing" there, would I be exempt from all those humiliating discriminatory provisions of the law that some of the dominions have? On this point I need not go very far. It was only a few days ago that my Honourable friend, Mr. Das, put a few questions.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member has just two minutes more.

**Mr. K. C. Neogy**: I will finish in two minutes.

He wanted to know the various disabilities from which Indians suffer in the various parts of the Empire. And when I turn over the papers containing Government's replies—I have no time unfortunately to place all the facts,—I find that the disabilities are imposed against Indians, against Asiatics, against coloured people. It has nothing to do with domicile. Therefore, if my Honourable friend, Mr. James, sticks to his position, he should join with me in protesting against the particular clause of this memorandum where Colonials domiciled in Great Britain are sought to be placed in the same position as genuine Britishers. Because, if I acquire a domicile in Great Britain and, if even then, I am subjected to this kind of humiliating treatment in any dominion or colony, then, certainly, on grounds of reciprocity, I can claim that, domicile or no domicile, I must be left free to discriminate against those dominions which discriminate against us in this matter.

Now, Sir, I was very glad to hear my Honourable friend, the Law Member, referring to the right of this Legislature to regulate the right of entry of colonials into India as a very valued right. I was a Member of this House in 1923 when Act III of 1924, which arms Government with this power, was passed, and I remember the opposition which the Government initially put up to the passing of that legislation which was a non-official measure. And that was merely an enabling measure, enabling Government to frame certain rules and regulations for the purpose of regulating the entry of people from the dominions which discriminate against

[Mr. K. C. Neogy.]

us. I do not yet know whether any rules or regulations have been framed in that matter, but I am very glad to find the present Government appreciating the principle of that measure which was so stoutly opposed by their predecessors.

**Diwan Bahadur A. Ramaswami Mudaliar:** Sir, the very restrained way in which the speeches have been made in this House is only an indication of the depth of feeling that exists among Members in various sections, because they believe that on a question of this kind, nothing is to be gained by importing heat and that there can be no heat imported which will be a sufficient indication of the strength of feeling on this question either in this House or outside in the country. Sir, the main question that we have to consider arises out of section 3(1) of the memorandum that the Secretary of State has placed before the Joint Parliamentary Committee. That section says that whoever is resident in British India, whether he is a dominion subject or a British subject of the United Kingdom or Northern Ireland, will have his rights guaranteed and that there can be no discrimination made against him. My Honourable friend, Mr. Neogy, has anticipated something of what I was about to say. During the course of that whole evidence, the Secretary of State and my Lord Reading both opposed that provision on the strength of a practice of over a hundred years. They start by saying that the Charter Act of 1833 which was granted to the East India Company established this principle, that the Queen's Proclamation of 1858 reiterated that principle, that successive Acts constituting the Government of India have accepted this principle and that they are most reluctant to depart from the principle after a hundred years of usage. That being the main ground on which the Secretary of State based this particular clause of his memorandum, it seems to me somewhat necessary that we should examine the position and see whether the Secretary of State or Lord Reading are justified in the assumptions they have made with reference to this provision. My Honourable friend was quite right when he pointed out that the provisions of section 87 of the Charter Act of 1833 had nothing to do with dominions or colonies or the subjects of dominions or colonies. Was there the dominion of South Africa? Was the East India Company going to be bothered with the question whether Canadians were coming into India and whether they should not be discriminated against? And the East India Company was a monopoly company which was composed entirely of Britishers, composed of men of their own race; and where was the necessity to direct that they should not discriminate against men of their own flesh and blood, men who were part and parcel of their national life, men who had gone out to Canada, South Africa and Australia to eke out their living? And my Honourable friend, Mr. Neogy, was quite right when he said that the Despatch of the Directors who sent this Act to their local administrators in this country made it abundantly clear that what Parliament was contemplating was not discrimination against dominion subjects or colonial subjects, but discrimination against the natives of British India. May I just read one or two sentences? It is a very long Despatch dated the 10th December, 1834, a few months after the 1833 Charter was granted, and this Despatch tries to interpret each particular section of that Charter, the present provision being contained in clause 87. The Court of Directors in their Despatch say:

"By clause 87 of the Act it is provided that no person, by reason of his birth, creed or colour, shall be disqualified from holding any office in our service."

It is fitting that this important enactment should be understood in order that its full spirit and intention may be transfused through our whole system of administration. You will observe that its object is not to ascertain qualification, but to remove disqualification. But the meaning of the enactment we take to be that there shall be no governing caste in British India."

That is a very significant phrase and it carries its own meaning. Then they say:

"In the application of this principle, that which will chiefly fall to your share will be the employment of natives whether of the whole or the mixed blood, in official situations. (*That is what my Honourable friend, Mr. Neogy, was referring to.*) So far as respects the former class—we mean natives of the whole blood—it is hardly necessary to say that the purposes of the Legislature have in a considerable degree been anticipated; you well know, and indeed have in some important respects carried into effect, our desire that natives should be admitted to places of trust as freely and extensively as a regard for the due discharge of the functions attached to such places will permit . . . . Still a line of demarcation to some extent in exclusion of them has been maintained; certain offices are appropriated to them, from certain others, they are debarred—not because these latter belong to the covenanted service, and the former do not belong to it but professedly on the ground that the average amount of native qualifications can be presumed only to rise to a certain limit. It is this line of demarcation which the present enactment obliterates, or rather for which it substitutes another, wholly irrespective of the distinction of races. Fitness is henceforth to be the criterion of eligibility."

I ask, whether, in the face of that, it can be said that the Charter of 1833 recognised the principle that dominions and colonial subjects should not be discriminated against.

Now, let us come to the Queen's Proclamation of 1858. The name of the honoured Queen Victoria cannot be raised in this country without evoking feelings of veneration. Whatever political opinion in India may be, that honoured name, that great reign of the Queen is a treasured memory for millions of subjects of this country; and the Proclamation of the Queen is by far the most valuable document which cannot be quoted without evoking feelings of the very greatest respect. The Proclamation of Queen Victoria has been rightly described as the Magna Charta of India, and successive generations of Indians have ventured respectfully to invite the attention of the Government to that Magna Charta for the vindication of their rights. It is perfectly true that this section—I have not got the time to refer to it—in the terms in which it was in the Charter Act is repeated in the Proclamation. But there is one fact which Sir Samuel Hoare and Lord Reading have forgotten. To whom was the Proclamation of Queen Victoria addressed? Was it addressed to the Canadians in Canada? Was it addressed to the South Africans in South Africa? Was it addressed to the Australians? No. It was addressed to the Princes and people of India, and, therefore, any right that is guaranteed there, any privilege that is given there, is meant for the Princes and peoples of India, not for the Boers of South Africa who fought against Her Majesty, not for the Canadians who were about to go out of the Empire, not for the Australians who had their own differences with the mother country: it was addressed to the Princes and peoples of India; and what does Sir Samuel Hoare suggest by stating that the Queen's Proclamation gives him this particular clause as his authority and that he cannot go against it? Take, again, section 96 of the Government of India Act. As my friend, Mr. Mody, has already pointed out, that section does not go as far as Sir Samuel Hoare is prepared to go in this memorandum. It restricts the right only to office: it does not speak a word about trade, about commerce, about holding property or anything of the kind; and I ask Sir Samuel Hoare and Lord

[**Diwan Bahadur A. Ramaswami Mudaliar.**]

Reading to point out a single section in any of the Government of India Acts which Parliament passed without being troubled by Indian delegates and Round Table Conferences and Joint Select Committees and the evidence of Indian witnesses, I ask them to produce a single section of the Government of India Acts where it has been suggested that these people should have the extended rights now intended to be granted to them by clause 3(1) of that Act. Then, again, I should like to draw the attention of this House to the particular phrasing of that clause. It may be legal quibbling; but I think the House should have its attention drawn to it. The memorandum speaks of British subjects not being disabled in British India—I do not know what the significance of that phrase is—but section 96 speaks of British subjects resident in British India: it does not speak of British subjects being disabled in British India. But British subjects ought to be resident before any question of disability comes; and, as I have shown, section 96, even taking it for granted that a century of usage or custom or precedent can be established for it, goes only to the extent of administrative posts in the services of the Crown and has nothing to do with commercial trading or any of these points. Then, again, even section 96, I venture to suggest, does not give this right. I am sure, my Honourable friend, the Law Member, will realise the effect of the word "only" in many of the sections which are found in the various Acts. What does this section say:

"No native of British India, nor any subject of His Majesty resident therein shall, by reason only of his religion, etc., etc."

If I want discrimination against a Canadian, it is not only because he is a Canadian, but it is because he is the citizen of a country which tries to do some damage to my countrymen in that country. It is not only because a South African is a South African that this discrimination is sought to be introduced, it is because there is an additional factor, and I venture to suggest that, even on the phrasing of this section, on the interpretation of this Act at the present moment, the Government of India will be perfectly entitled to make discrimination. They are making discriminations every day. Let me give only one instance, as my Honourable friend, the Army Secretary, is here. What is this distinction between martial races and non-martial races? Does my Honourable friend suggest that he can make this distinction against a Madrassi only because he is a Madrassi? There are other reasons, as he puts it, why a Madrassi should not be enlisted in the military ranks. I do not agree with those reasons, but, I say, he is able to circumvent section 96 of the Government of India Act, because there is that word "only": why? It is not only because I come from Madras that I am discriminated against . . . . .

**Hony. Captain Rao Bahadur Chaudhri Lal Chand** (Nominated Non-Official): This is in the interests of India.

**Diwan Bahadur A. Ramaswami Mudaliar:** I do not know whether it is in the interests of India or because the Madrassi is not dull enough to be easily commanded by Captains and Majors of the British Army. (Laughter.) I leave it at that. I am glad that the Honourable the Law Member has said that there is no question of the Government of India departing from their well established policy. The Government of India have

made themselves responsible for this attitude which the entire country has taken with reference to discrimination by colonies and dominions. Successive Viceroys have led deputations if I may say so: they have put themselves at the head of the agitation and it will be a calumny on the reputation of those successive Viceroys, it will be an indelible stain on the Government of India if they do not take up the same position today as they have taken up all along.

I must here express my admiration and thankfulness of the very excellent speech that my Honourable friend, Mr. James, has delivered. I think any of us Indians on this side would have been proud of having made a speech like that. I recognise the spirit in which that speech has been made; broadly speaking, our position is this: we are prepared to give to the citizens of the United Kingdom every right in this country, not because of the extra power which they have got by parliamentary legislation—my Honourable friend recognises that in matters of trade Parliament cannot do that much to promote trade if the entire bulk of the Indian people were against them—it is because we realise in a sense there is justice towards Indians who go to the United Kingdom; it is because we realise, as Mr. James tried to point out, that there is this spirit of reciprocity so far as the United Kingdom is concerned towards Indians that we are willing to give to those who come from the United Kingdom to this country all the privileges that we are prepared to give to our own citizens; but we are not willing to give to the Canadians, the Australians and the South Africans all these privileges; and may I say as one, who has recently visited a dominion as one who has taken part in a very important conference in a dominion, as one who has had opportunities of meeting non-official delegates from every dominion of the British Commonwealth of Nations, may I say it as my personal experience, that nothing will help us to have equality of status at the tables of this conference, nothing will give us that position which we should have if we were to negotiate on equal terms except this power that we have, that while they are in our country we shall do unto them as they are prepared to do unto us in their country. (Applause.)

**Maulvi Muhammad Shafee Daoodi** (Tirhut Division: Muhammadan): Sir, I rise to express my great satisfaction to find that, in the course of this tedious Session, we have at least reached a point where there is absolute unanimity on all sides; officials and non-officials are alike holding views on this question, and even my friend, Mr. James, has given us a treat this evening which we cannot forget. Not only, Sir, in this House, but outside it, I find that papers edited by all communities are praising my friend, Mr. B. Das, for raising this question in the Assembly. He has, as it were, extorted the admiration of all the people, of all the natives of India in raising this question. I think, Sir, that in a matter like this the Secretary of State will give his wholehearted support to absolute equality which is claimed by Indians in this respect and would also bear in mind the delicate points which have been raised by Mr. Neogy and Diwan Bahadur Mudaliar on this question, and I hope, Sir, that he will thus prove that he is a real friend of British Indians.

**The Honourable Khan Bahadur Mian Sir Fazl-i-Husain** (Member for Education, Health and Lands): Sir, I am in a way glad that this important, interesting, but delicate subject has been discussed on the floor of this House and opinions expressed more or less stating the same views which have found expression in the public press already. I am glad

[Sir Fazl-i-Husain.]

because our Legislatures are the proper places where national sentiment ought to find expression. (Hear, hear.) In a way I am not glad, because the adjournment motion debate is not as satisfactory a means of discussion as other forms of motions. I have found speaker after speaker trying to make very important points, but on account of the limitation of time finding it difficult to do so. I also know that many people in different parts of the House would have liked to take part in the debate and give expression to their deep feelings and sentiments which they entertain on this extremely important subject, the importance of which to others may not appear to be as great as it does to us Indians.

I think it would be best if I were, in the short time at my disposal, to make sure that the problem is put before the House in its various aspects and then state what I have understood the House to hold on those points, and then I will try to indicate to what extent I find myself in agreement and what it is the Government, I understand, would be prepared to do. The first point is that we are dealing only with dominion nationals. We are not dealing with the United Kingdom nationals in this case. The second is that dominion nationals can be divided under three heads: first, those who are already living in India, secondly, those who, after the passing of the Reform Act, come into India; and, thirdly, those who, having come to India, stay there. What are the rights of these three sorts of dominion nationals at present, and what rights does the Indian Legislature possess with reference to them? The second point which I think it is as well to mention and clarify is, what are the particular points that are involved in this particular problem,—firstly holding of office, about which a good deal has already been said; secondly, practising of trade, profession or calling—that is up till now not guaranteed by a statutory provision, but is based on what one might call the constitutional convention, good sense or practice. Besides these two, there are other rights which have been described in the Secretary of State's memorandum as commercial rights, e.g., of making companies, and so on; and, fourthly, the question of entry into India. As regards the third, that is to say, commercial rights, those again are not involved in this particular problem, because the Secretary of State has made it absolutely clear that, in connection with that particular department or section of business, the dominion nationals do not occupy any guaranteed position—they have to establish their position by negotiation with India. Therefore, we are left with the three—holding of office, practising trade, profession or calling, and lastly the question of entry. As regards the entry into India, India possesses at present the right to forbid entry, in other words the Indian Legislature's right to legislate on the question of entry is in existence, and the Secretary of State does not propose that it should in any way be reduced or interfered with, so that goes out.

Then comes the question of the dominion nationals already in India, and those who will come into India after they have been allowed to enter. At present the Indian Legislature possesses the right to legislate in a spirit of reciprocity discriminating against them, which means that in case any particular dominion exercised its right of discrimination against Indians, it would be open to the Indian Legislature to reciprocate. The Indian Legislature at present possesses that right. A cursory study of the memorandum leads one to believe that, under the proposals of the memorandum, that right will be either taken away or so modified as not

to be as valuable or as effective as it is at present. When it is once asserted that the dominion nationals, settled in India either already or going to settle in the future, have a right to practise a trade, profession or calling, then either the Indian Legislature should directly have the right to say that under such and such circumstances it can deprive them of that right or there should be some device which will have the same effect. The Secretary of State's memorandum, so far as one can judge, does not give the direct right, but gives an indirect device to have the same effect. Therefore, some Honourable Members hold the view that this indirect device in the first place may not be effective at all, and, in the second place, why have recourse to this indirect device when direct legislation on reciprocal basis can be resorted to without doing any violence to any principle, and in fact, as a necessary corollary to the principle of reciprocity which runs through all these proposals. I have been very much struck by the strong feeling expressed by every speaker saying, for good or ill, we stand by the principle of reciprocity. There are Indian public men who feel that, in the case of a country like India, reciprocity is not the very best thing they would resort to if they had their own way, but most of them have today reconciled themselves to it. But I doubt very much whether there are any who are prepared to go beyond that. The strength of feeling on this point,—that is to say, while Indian public men are prepared to stand by reciprocity and all that follows from it, they are not prepared to go beyond it,—would certainly indicate that the proposals have to be reconsidered to see whether the principle of reciprocity cannot be given effect to and whether there is anything to be gained by departing from it in order to have resort to another method of achieving the same object. (Cheers.)

Having mentioned this question of the practice of trade, profession or calling, a point on which I take it we are all agreed, I come to the second point on which I understand most of the speakers have laid very great stress, and that is the point of holding office. I am sure, the historical research done by some of the Honourable Members, and undoubtedly also by some of the valued organs of public press in India, will extract its meed of praise from the people across the seas. They will realise that what appears in the surface is not always the reality when subjected to a searching examination by people who are getting as acute as anybody else in this world. (Laughter.) And, after all, whether historical research were to bring out this point or not, I think Honourable Members are perfectly justified in taking up the position—why continue to give this privilege to the dominion nationals in the year 1933, because it was given to them in 1833, when in 1833 the discrimination against Indians had not been brought to light? (Cheers.) I think the Secretary of State in his statement has made an excellent point when he said that India is likely to gain by placing an example of liberal treatment of the dominion nationals in order to show to them what civilisation demands. (Laughter.) I am afraid Honourable Members opposite have not understood what I meant, probably because I have not been able to express myself clearly. (Laughter.)

Sir, for three or four years I have been dealing with this extremely difficult problem of the Indians overseas. I have had the privilege of talking to the Prime Minister and the Ministers of one of the dominions and other extremely important people, and they invariably assured me that the demands of Indians claiming ordinary human rights

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should not be denied to Indians, were perfectly sound and that if they were the only citizens of the dominion, there would be no difficulty at all about it, but it was the benighted masses who would not appreciate the righteousness of the Indian cause. And when I have in all my simplicity asked them: "How can we get them to understand it?", I have been invariably told that we must wait and wait till the conscience of the civilised world has grown strong enough (Laughter) to force the benighted masses of the dominions to see the wickedness of their actions. (*An Honourable Member*: "A very gloomy picture.") Certainly not, far from it. India has waited for very nearly 50 years or more in the case of South Africa and though the position today in practice in many matters is ever so much better than it has been in the past, still little progress is made in vital matters. Therefore, though I do not in any way feel pessimistic about the future, I do feel that we are so poorly equipped with arms in this war, that we can hardly afford to give away any of them. I am sure, the points made by the Honourable Members are strong, and they are the points with which we on this side not only sympathise, but also agree with them. (Cheers.) It has been very rightly pointed out by a speaker opposite,—I think it was my Honourable friend, the Diwan Bahadur,—that the Indian policy on this point is the national policy. It is the policy which has been more than once led by the Heads of the Indian Government. . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member's time is up.

**The Honourable Khan Bahadur Mian Sir Fazl-i-Husain:** It is a policy which is associated with the name of Lord Hardinge first, and it is a policy which today, I reveal no secret when I say, has the fullest support of Lord Willingdon. (Cheers.) It is not likely that the sentiments expressed by the Honourable Members will go uncommunicated to His Majesty's Government. I am sure, the Secretary of State will be very glad indeed to know that Honourable Members of this House have been so sober and so reasonable in their discussion of this very delicate matter. Their position is that they claim that their present position should not deteriorate. They further claim that in one respect it should be improved. My reading of the Secretary of State's memorandum is that he has not the slightest intention of doing anything which in fact deteriorates the Indian position. Whether he will be able to do something to improve the position, it is not for me to say, but I think that is really not a part of this case. He will have a good try to improve it. I do not know why some of the Honourable Members opposite seem to be very fidgety. Is it that they do not want me to speak or is it that they desire. . . . .

**Mr. K. C. Neogy:** It is the time limit

**Mr. President** (The Honourable Sir Shanmukham Chetty): It is one of the inconveniences of having this discussion on an adjournment motion.

**The Honourable Khan Bahadur Mian Sir Fazl-i-Husain:** If we have no more speeches, the question of time would not arise.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Standing Orders are absolutely mandatory. No speech shall exceed 15 minutes during an adjournment motion.

**The Honourable Khan Bahadur Mian Sir Fazl-i-Husain:** I was only suggesting that no other speech need be made.

**Sir Cowasji Jehangir** (Bombay City: Non-Muhammadan Urban): I believe I can safely say on behalf of this side of the House that there is no desire to pass a vote of censure. This method of ventilating our grievances has been resorted to instead of taking a whole day which might have infringed upon the time of this Honourable House.

There are only three points I desire to make. Having been present at the three Round Table Conferences I can say with confidence that the present position has come as a great shock to India and especially to those who took part in these Conferences. Never once was this position placed before the Indian delegates. Never once was it propounded before any responsible body in England and, therefore, when we come to realise the position, as it has been propounded in this memorandum, I am not surprised at the strength of feeling throughout the country. There are many behind me who would like to speak, but who are unable to do so and I trust that it will be placed on record that every one of us would have echoed the sentiments expressed by my Honourable friends here and would have added to the arguments if they had time enough to do so. (Hear, hear.)

I have one more point. We are told that the January, 1931 agreement is a basis for this extraordinary statement that the citizens of the dominions should have equal rights with Englishmen ordinarily resident in India. May I mention that, when this agreement was arrived at, I was present at the discussion and I personally asked Lord Reading to confirm that British residents did not include persons domiciled in the dominions and he said in reply that there was not the slightest doubt about it. I cannot understand now how this agreement can be made a basis for the memorandum.

Mr. President, I have nothing further to say except that we are all taken aback at this position. It is not the *status quo* that we are arguing about. We do not care what the *status quo* is. We are discussing the reforms and we earnestly desire that in these reforms we should be given rights so as to make, as my friend, Sir Fazl-i-Husain, has said, the masses in the dominions realise that we can also act. That is the only way of making the masses understand what it means to be unjust to the nationals of another country.

**Mr. O. S. Ranga Iyer** (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): Sir Cowasji Jehangir, the Leader of the Opposition, has in a short and vigorous speech placed the case for the Opposition and the Member in charge has, with his usual enthusiasm for our nationals abroad, hinted very broadly the attitude of the Government. It is not materially different in this matter from the attitude of the Opposition. If the Honourable Sir Fazl-i-Husain were seated on these Benches, I am sure, he would have spoken as feelingly as we have spoken. If he can reveal the "secrets of his prison house", I am certain, we will find that he is putting up a fight as usual, supported by Lord Willingdon who, as he has alluded, is following the example of Lord Hardinge. Sir, that allusion brings to my mind the great crisis when that sober statesman, that great and wise leader, Gopal Krishna Gokhale (Cheers) spoke the mind of the nation which felt as one man, spoke the mind of an infuriated nation on the South African question and the question of the treatment of our countrymen abroad. The feeling has not lessened after that time. On the

[Mr. C. S. Ranga Tyer.]

contrary, the feeling has increased. The iron has entered, as it were, the soul of this nation. The fighting spirit of our people in South Africa has not diminished either. It is in recognition of this spirit on the part of the South African Government and the pressure brought from the Government here that we had the last delegation in which the Honourable Sir Fazl-i-Husain thought it necessary to include not only the Right Honourable Srinivasa Sastri, but also Mrs. Sarojini Naidu who had returned fresh from the prison. Sir, we are not standing up here to censure the Department of the Honourable Sir Fazl-i-Husain. On the contrary, we are trying to strengthen the hands of the Government, for we realise what Indians are up against abroad. In this matter the Government and the Opposition have to work together, to act together, and today we are not pressing this motion to a division, because we want to illustrate to the South African and the Kenya and other Governments that we have confidence in Sir Fazl-i-Husain (Cheers), and that we believe that if he could have his way in this matter there will be no disturbance of Indian feeling in the future. Sir, walking into a second-hand book seller's shop in London in 1929, I happened to buy a book, "The Speeches of the Right Honourable Srinivasa Sastri" and I came across a striking passage in one of his fighting speeches in which the Right Honourable gentleman strongly objected to an Englishman, the name of Lord Willingdon he mentioned at the time, leading the Kenya deputation in England, because, the Right Honourable Sastri said, no Englishman, however sincere and sympathetic he might be, would be able to walk into the Foreign Office and say: "India will break the British connection, if British citizenship cannot be enjoyed by Indians abroad". That is the spirit behind the Opposition here, which is only a feeble echo of public opinion outside. I know there are De Valeras in South Africa and our countrymen are taking their stand today, unlike the Right Honourable Sastri in that speech, on South African citizenship. They were born and bred there. They made modern South Africa and they have a right to citizenship. Let it be said of the future of the Empire, that *Civis Romanus sum* will be equally applicable to *Civil Britannica sum* . . . .

(It being Six of the Clock.)

**Mr. President** (The Honourable Sir Shanmukham Chetty): Order, order. The House now stands adjourned till Eleven o'clock tomorrow.

The Assembly then adjourned till Eleven of the Clock on Friday, the 8th December, 1983.

## LEGISLATIVE ASSEMBLY.

*Friday, 8th December, 1933.*

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

### STATEMENTS LAID ON THE TABLE.

**The Honourable Sir Joseph Bhore** (Member for Commerce and Railways): Sir, I lay on the table the information promised in reply to a supplementary question to starred question No. 988 asked by Mr. K. C. Neogy on the 16th September, 1933.

#### ADMISSION OF INDIAN OFFICERS AND CADETS TO THE MAYO MARINE CLUB, RANGOON.

\*988. The rules of the Mayo Marine Club impose no restriction on the admission of Indian officers and cadets. The Club is, however, only used by those who wear European dress and live in European style and this is the ordinary practice of Indian officers on ships.

**The Honourable Sir Harry Haig** (Home Member): Sir, I lay on the table the information promised in reply to part (b) of starred question No. 934 asked by Mr. K. P. Thampan on the 15th September, 1933.

#### EMPLOYMENT OF BRITISH INDIAN SUBJECTS IN TRAVANCORE, COCHIN AND MYSORE STATES.

\*934. (b) The Travancore and Cochin States do not ordinarily entertain British Indian subjects in their services, but exemptions are made in special cases. The Mysore State does not preclude British Indian subjects from entering its services, though as a rule preference is given to its own subjects.

**The Honourable Sir Frank Noyce** (Member for Industries and Labour): Sir, I lay on the table statements giving the information promised in reply to parts (b) to (e) of starred question No. 867 and to parts (b) and (c) of starred question No. 869 asked by Bhai Parma Nand on the 12th September 1933, and in reply to starred question No. 966 asked by Mr. S. G. Jog on the 16th September, 1933.

#### RETRENCHMENT OF HINDUS IN THE PUNJAB AND NORTH-WEST FRONTIER POSTAL CIRCLE.

\*867. (b) The Honourable Member's information is incorrect. He presumably refers to the retrenchments carried out in March and June 1933. 24 officials were retrenched, of whom six were Muslims, two were Sikhs and 16 were Hindus.

(c) No. Of the 24 officials referred to in the reply to part (b) above, four Muslims and six Hindus retired voluntarily and the remaining two Muslims two Sikhs and 10 Hindus were retired compulsorily.

(d) and (e). Do not arise.

#### RETRENCHMENT OF HINDUS IN CERTAIN RAILWAY MAIL SERVICE DIVISIONS.

\*869. (b) and (c). The Honourable Member's attention is invited to the reply to his starred question No. 867 of the 12th September, 1933, which has been laid on the table.

#### GRANT OF PENSIONS TO TELEPHONE OPERATORS.

\*966. (a) The position is that on the 8th July, 1919, Government sanctioned the proposal of the Director-General of Posts and Telegraphs to reconstruct the service of telephone operators on a permanent non-pensionable basis and simultaneously to revise their pay. Those telephone operators who had actually been given pensionary status, on the date of the sanction *viz.*, the 8th July, 1919, were allowed to retain that status. Prior to the 31st January 1919, the date referred to by the Honourable Member, only permanent telephone operators were pensionable.

(b) No. The men other than those whose service was already pensionable were not specifically asked whether they accepted non-pensionable service but they were given to understand that their appointments were permanent and non-pensionable and that one of the special conditions of their service was that they were liable to discharge on a month's notice.

(c) As regards the first part of the question, the facts are substantially as stated by the Honourable Member. As regards the second part, so far as Government are aware it was never stated as a reason for rejecting the memorials that the telephone branch of the department was on an experimental basis.

(d) No. The attention of the Honourable Member is invited to the reply given by Sir Thomas Ryan on the 19th November, 1932, to part (b) of Mr. Muhammad Anwar-ul-Azim's starred question No. 1514.

(e) I regret that I cannot trace the question and answer to which the Honourable Member refers. The attention of the Honourable Member is however invited to the reply to part (a).

(f) Yes; but they are liable to discharge on a month's notice as stated in the reply to part (b).

(g) Telephone systems are in existence in every province in India. There are some provinces however which are not connected with the general trunk telephone system. Gradual expansion of the trunk system is taking place.

(h) As the telephone branch of the Posts and Telegraphs Department was never on an experimental basis, this question does not arise.

(i) Yes.

(j) Yes.

(k) This branch has sometimes worked at a loss and sometimes at a profit.

(l) It is a fact that the majority of the employees of the Department are in pensionable service.

(m) The reply to the first part is in the affirmative; as regards the second part, Government are not prepared to express an opinion.

(n) and (o). Telephone operators were made non-pensionable in consideration of the character of their work. It is not possible in present general financial conditions to improve their status, but when the position improves the question whether they should be restored to pensionable status or admitted to the benefits of a contributory provident fund will be duly considered.

**Mr. G. S. Bajpai** (Secretary, Department of Education, Health and Lands): Sir, I lay on the table statements giving the information promised in reply to starred question No. 814 asked by Mr. M. Maswood Ahmad on the 12th September, 1933, and in reply to unstarred questions Nos. 150 and 155 asked by the same Honourable Member on the 20th September, 1933.

**ENFORCEMENT OF THE PUNJAB PRIMARY EDUCATION ACT IN DELHI.**

\*814. (a) The Punjab Primary Education Act was first extended to the City of Delhi in 1926 and applied to a portion of it. It has gradually been extended to 2/3rds of the city :

- (i) The area was divided into nine wards and each ward has its own School Attendance Committee.
- (ii) The Ward Members of any particular area constitute its School Attendance Committee.
- (iii) Applications for exemption are received from time to time from parents of boys receiving education in Islamic Maktabs.
- (iv) and (v) Each case is decided on its merits. The procedure followed is that the boy and his guardian are summoned before the School Attendance Committee and if it is satisfied that the application is *bonâ fide* exemption is granted.

(b) Notices have been served on managers of Maktabs under Section 14 of the Act. This practice has now been discontinued :

- (i) 517 boys are affected.
- (ii) 20 notices have been issued.
- (iii) 20 cases have been instituted.
- (iv) *Nil*.

(c) The Act provides sufficient safeguards and Government is satisfied that no hardship is being caused.

**RETRENCHMENT IN THE ARCHAEOLOGICAL DEPARTMENT.**

150. (a) The statement asked for is laid on the table.

(b) Yes.

(c) There has been a slight decrease of 1·15 per cent. which is due to the fact that, in one case, a Muslim did not accept a lower post which was offered to him after retrenchment and, in another case, where it was intended to re-employ a Muslim whose post had been abolished, the proposal had to be abandoned on an objection by the Accounts Officer.

*Statement showing the percentage of different communities in the subordinate service of the Archaeological Department.*

*Before Retrenchment.*

	Hindus.	Muslims.	Indian Christians.	Buddists.	Total.
Total strength . . .	90	36	3	10	139
Percentage . . .	61·8	25·9	2·1	7·1	..

*After Retrenchment.*

	Hindus.	Muslims.	Indian Christians.	Buddhists.	Total.
Total strength . . .	77	28	..	8	113
Percentage . . .	68·1	24·75	..	7·0	..

### IGNORING THE CLAIMS OF MUSLIMS IN THE ARCHAEOLOGICAL DEPARTMENT.

155. (a) 26 years and two months.

(b) and (c). Five Hindus but no Muslims. The officer had no occasion to make any appointments except as stated in the reply given to (e).

(d) Yes.

(e) While in the Northern Circle, Hindu and Buddhist Monuments, the present Director General of Archaeology made five appointments in a subordinate staff of six attached to that office. Two posts fell vacant twice during the period and one once. Candidates for the vacancies in the post of Assistant Surveyor, which occurred twice, were required to possess knowledge of Sanskrit and no Muslim with that qualification could be found. But throughout this period two out of the six posts continued to be occupied by Muslims. For the third post, which became vacant only once, a Hindu was required as a Muslim could not enter Hindu temples with which the work of the Superintendent, Hindu and Buddhist Monuments, was mostly concerned. For the other post, which became vacant twice, viz., that of second clerk, no Muslim candidate applied when the first vacancy occurred. On the second occasion one Muslim applied but was not selected, as the person selected had better qualifications.

(f) and (g). Yes, but no appointments were made by him after the issue of the orders referred to by the Honourable Member.

(h) Does not arise.

**Mr. P. R. Rau** (Financial Commissioner, Railways): Sir, I lay on the table statements giving the information promised (1) in reply to starred questions Nos. 384 to 391 and 395 asked by Mr. M. Maswood Ahmad on the 1st September, 1933, (2) in reply to starred questions Nos. 801 and 803 asked by Rai Bahadur Lala Brij Kishore on the 12th September, 1933, and (3) in reply to part (c) of unstarred question No. 73 asked by Mr. S. C. Mitra on the 13th September, 1933.

### PAY OF INDIAN STATION MASTERS ON THE EAST INDIAN RAILWAY.

\*384. No.

### PAY OF INDIAN ASSISTANT STATION MASTERS ON THE EAST INDIAN RAILWAY.

\*385. (a) No. There are Indian Assistant Station Masters in the higher grade of Rs. 350 on the East Indian Railway.

(b) No. Assistant Station Masters' posts in the higher grades are filled by promotion from among the qualified staff in the lower grades irrespective of nationality.

### PAY OF GUARDS ON THE EAST INDIAN RAILWAY.

\*386. (a) Guards are normally only located at stations where the Assistant Station Masters are on a high rate of pay. Guards in grade I are required to pass in the absolute Block and Guards' duties as well as in those of Assistant Station Masters. The lower grade Guards only qualify in their own duties.

(b) The maximum salary of grade II and grade I Guards is Rs. 100 and Rs. 210 per mensem respectively as per old scale of pay. They earn overtime according to running Staff pay and Overtime Rules on which Provident Fund is deducted subject to a maximum of 75 per cent. of salary.

**PAY OF TRAVELLING TICKET EXAMINERS ON THE EAST INDIAN RAILWAY.**

\*387. (a) No. The Travelling Ticket Examiners are part of a separate organisation. Their headquarters are at those stations where highly paid Station Masters and Assistant Station Masters are located. When on trains they are under the control of their own Inspectors. They are required to qualify in their own duties.

(b) No. The grades of Travelling Ticket Examiners in the Moody Ward Scheme are Rs. 70—5—95 and Rs. 55—3—64 with a consolidated allowance of Rs. 20 and Rs. 15 respectively.

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**PAY OF TRAIN CLERKS, TELEPHONE CLERKS, ETC., ON THE EAST INDIAN RAILWAY.**

\*388. (a) In the absence of the Station Master an Assistant Station Master is responsible for general supervision in the station. The staff mentioned are each responsible for their own duties.

(b) No. There are various grades with different rates of pay.

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**SUPERSESSION OF INDIAN ASSISTANT STATION MASTERS BY EUROPEAN AND ANGLO-INDIAN GUARDS ON THE EAST INDIAN RAILWAY.**

\*389. (a) No. Promotion is made to the Assistant Station Masters grades Rs. 300—10—350 from qualified guards on Rs. 210 and from senior Assistant Station Masters.

(b) Guards are only promoted to the post of Assistant Station Masters if they are qualified.

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**UNIFORMS SUPPLIED TO THE ASSISTANT STATION MASTERS ON THE EAST INDIAN RAILWAY.**

\*390. Uniforms are supplied in accordance with the grade in which staff may work.

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**DIFFERENTIAL TREATMENT OF EUROPEAN, ANGLO-INDIAN AND INDIAN ASSISTANT STATION MASTERS ON THE EAST INDIAN RAILWAY.**

\*391. No. Every endeavour is made to see that such men are provided in a suitable post for which they are medically fit, and as near as possible to their former grade and pay.

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**DIFFERENTIAL TREATMENT OF EUROPEAN, ANGLO-INDIAN AND INDIAN ASSISTANT STATION MASTERS ON THE EAST INDIAN RAILWAY.**

\*395. No.

## PURCHASE OF CERTAIN MACHINES BY THE EAST INDIAN RAILWAY PRESS.

•801. (a) The number of machines purchased is as follows:—

Year.	Description.	No.	Amount.	Remarks.
			Rs.	A. P.
1915	Wharfedale Printing Machine D. R.	1	4,349	13 0
"	Art Platen Machine Demy . . .	1	1,288	11 0
1920	Hand Press Super Royal . . .	1	900	0 0
1922	Guillotine Cutting Machine 48'	1	2,400	0 0
"	Wire Stitching Machine . . .	1	900	0 0
1924	Wire Stitching Machine . . .	1	900	0 0
1925	Monotype "D" Keyboard . . .	1	3,500	0 0
"	Monotype Casting Machine . . .	1	12,175	0 0
"	Air Compressor & Tank for Monotype . . .	1	1,000	0 0
"	Self Inking Proof Press . . .	1	2,520	0 0
"	Single Reel Rotary Printing Machine . . .	1	20,300	0 0
"	Folding Machine . . .	1	3,654	0 0
"	Book Sewing Machine . . .	1	4,651	0 0
1926	Monotype "D" Keyboard . . .	1	4,000	0 0
"	Monotype Casting Machine . . .	1	12,821	0 0
"	Linotype Composing Machine . . .	1	14,892	0 0
"	Babcock Printing Machine . . .	1	8,874	4 0
"	Routing Machine (Flat Plate) . . .	1	877	0 0
"	Guillotine Cutting Machine 48"	1	3,822	0 0
"	Guillotine Knife Grinding Machine . . .	1	1,939	0 0
1927	Swiftbac Dust Extractor . . .	1	258	2 0
"	Meihle Printing Machine . . .	1	16,796	0 0
"	Wire Stitching Machine 7/2 . . .	1	850	0 0
"	Litho Machine D. R. . .	1	9,700	0 0
"	Process Camera 20" x 30" Complete . . .	1	3,497	0 0
"	Vacuum Printing Frame . . .	1	321	0 0
"	Photo Litho Whirler . . .	1	147	0 0
1927	Ebonite Bath . . .	4	375	0 0
1928	Monotype "D" Keyboard . . .	1	4,500	0 0
"	Monotype Casting Machine . . .	1	13,065	0 0
"	Ludlow Typograph Machine . . .	1	23,724	0 0
"	Miller Saw with Motor . . .	1	868	0 0
"	Elrod Lead Rule and Clump Casting Machine . . .	1	5,436	0 0
"	Two-Reel Rotary Printing Machine . . .	1	26,054	0 0
"	Rapid Letter Press Demy . . .	4	19,192	0 0
"	Paper Folding Machine . . .	1	2,527	0 0
"	Card Board Shears on Wooden Stand . . .	1	330	0 0
"	Paper Folding Machine . . .	1	2,527	0 0
"	Automatic Die Stamping Press . . .	1	668	0 0
"	Boston Wire Stitching Machine . . .	2	1,797	0 0
"	Overhead Litho Stone Grinder . . .	1	436	0 0
"	Ratcliff Plate Graining Machine . . .	1	1,224	0 0
"	Circular Saw 24" . . .	1	215	0 0
1929	Monotype "D" Keyboard . . .	1	3,333	0 0
"	Monotype Casting Machine . . .	2	28,673	0 0
"	Rotary Plate Routing Machine . . .	1	2,014	9 0
"	Automatic Metal Furnace . . .	1	580	0 0
"	Guillotine Cutting Machine 48" . . .	1	4,250	0 0
1930	Monotype Casting Machine . . .	1	12,506	0 0
"	Rotary Machine Re-Reeling attachment . . .	1	2,576	8 0
"	Wharfedale Printing Machine D. R. . .	2	18,229	0 0
"	Boston Wire Stitching Machine . . .	2	1,886	4 0
1931	Electrolux Portable Type Case Dust Extractor . . .	1	258	8 0
"	Single Reel Rotary Printing Machine . . .	1	23,304	3 0
"	Paper Folding Machine D. R. . .	1	3,591	11 0
"	" " " " "	1	3,591	11 0
"	" Rapid Wire " Stitching Machine . . .	1	1,505	14 0
"	Envelope Making Machine Type No. 1 . . .	1	8,195	1 0
"	Drilling Machine . . .	1	375	0 0

## STATEMENTS LAID ON THE TABLE.

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(b) The answer is in the negative. The machines in question are in daily use.

(c) The information asked for is not readily available.

(d) A list of machines sold since 1926 is given below. Records for the years 1914—1925 are not available.

Year.	Description:	No.	Sold for	Date of Disposal.	Original Cost.
			Rs. A. P.		
1926	Folding Machine . . . . .	1	7 4 9	22-3-26	
	Roller Washing Outfit . . . . .	1	5 0 0	13-1-26	
	Kitson Gas Cylinders . . . . .	2	3 0 0	22-3-26	
	Stereo Makers Cabinet Stereo Metal Furnace Hot Chamber . . . . .	1			
	Lino Machine . . . . .	1	650 0 0	26-11-26	
	Royal Wharfedale Printing Machine . . . . .	1	385 0 0	23-9-26	
	Royal Wharfedale Machine . . . . .	1	385 0 0	15-12-26	
	Guillotine Cutting Machine . . . . .	1	470 0 0	4-11-26	
	Guillotine Knives (9 cwt.) . . . . .	3	74 13 0	22-9-26	
	Stereo Plates Set Squares . . . . .	3			
	Stereo Plate Planting Block with Knives . . . . .	2			
	Hand Press Ink Tables . . . . .	3			
	Stereo Plate Circular Saw . . . . .	1			
	Stereo Casting Box Complete . . . . .	1	32 14 0		
	D. R. Wharfedale Printing Machine . . . . .	1	525 0 0	17-11-26	
	Royal Wharfedale Printing Machine . . . . .	1	610 0 0	17-11-26	
1927	Litho Press 17" x 27" . . . . .	1			
	Litho Press Double Crown . . . . .	1			
	Litho Press Double Crown . . . . .	1	300 0 0	22-3-27	
	Milling Machine . . . . .	1			
	Type Casting Machine . . . . .	1	325 0 0	22-3-27	
	Sand Stone Wheel . . . . .	1			
	Roller Washing Tank . . . . .	1			
	Platen Machine Royal folio . . . . .	1	290 14 0	18-2-27	
	Bath Tanks . . . . .	2	60 0 0	21-2-27	
1928	Scrap Metal . . . . . Lot	1			
	Gas Tanks . . . . .	2	60 0 0	21-2-27	
	Plate Gauges . . . . .	3			
	Planners . . . . .	2			
	Sewing Machine . . . . .	1			
	Stereo Mould . . . . .	1	81 0 0	23-7-28	
	Pulleys of Sizes . . . . .	17			
	Wharfedale Machine Crown . . . . .	1	890 0 0	4-8-28	
	" " Royal . . . . .	1	1,260 0 0	4-8-28	
	Treadle Wire Stitching Machine . . . . .	1	1,415 0 0	4-8-28	
	Stereo Planting Machine . . . . .	1	110 0 0	4-8-28	
	Hand Press with Inking Table R. Size . . . . .	5	45 0 0	4-8-28	
	Hand Press with Inking Rube D. Crown . . . . .	1	1,905 0 0	4-8-28	
1930	Second Hand Thomson Quad Casting Machine (Incomplete). . . . .	1	400 0 0	4-8-28	
	Second Hand Davis Type casting Machine . . . . .	1	140 0 0	6-8-30	
	Printing Machine Second Stereo Plate . . . . .	1	125 0 0	6-8-30	
	Printing Wood Plaining Machine . . . . .	1	25 0 0	6-8-30	
	Printing Die Stamping Press . . . . .	1	25 0 0	6-8-30	
	Printing Ruling Machine (Waterlow & Sons) . . . . .	1	40 0 0	6-8-30	
	Printing Ruling Machine (Harold) . . . . .	1	42 0 0	6-8-30	
			42 0 0	6-8-30	

Records not available.

Records not available.

Transferred from O. R. Railway.  
Records not available for 1906.

Year.	Description.	No.	Sold for.	Date of Disposal.	Original Cost.
				Rs. A. P.	
1930	Treadle Numbering Machine				
	Robinson . . . . .	1	55 0 0	6-8-30	Transferred from O. R. Railway.
	Punching Machine . . . . .	1	26 0 0	6-8-30	
1931	Double Demy Printing Machine				Transferred from O. R. Railway.
	Wharfedale . . . . .	1	1,325 0 0	18-8-30	
	Vertical Drilling Machine . . . . .	1	15 0 0		
1931	Wharfedale D. C. Printing Machine . . . . .	1	1,050 0 0	3-1-31	2,426 14 0
	" D. R. " . . . . .	1	550 0 0	3-1-31	2,426 14 0
	" D. R. " . . . . .	1	1,500 0 0	28-6-31	
	" D. R. " . . . . .	1	765 0 0	29-6-31	Transferred from O. R. Railway.
	Gally Press . . . . .	1	41 0 0	29-6-31	
	Wire Stitching Machine . . . . .	1	92 0 0	29-6-31	
	Treadle Numbering Machine . . . . .	1	132 0 0	29-6-31	
	Hand Numbering Machine . . . . .	1	33 0 0	29-6-31	

**PURCHASE OF CERTAIN MACHINES BY THE EAST INDIAN RAILWAY PRESS.**

\*803. (a) No, not immediately after the East Indian Railway became a State-managed Railway, but as required.

(b) No.

(c) Matter set in monotype and linotype is melted for recomposition after final printing. Loss on melting is estimated to be only about two per cent. on each occasion.

(d) No. Two lakhs of impressions is a fair estimate.

(e) No. Hand compositors are monthly rated. There are no allowances for carrying out particular classes of works.

(f) A comparative statement is given below :

(g) Does not arise.

*Comparative statement showing cost of composing by hand 4 $\frac{1}{2}$  x 72 ens nonpareil type 15 columns tabular statement and by Monotype Machine.*

Hand.	Monotype.	Rs.	A.	P.
Compositors piece charges to Rs. A. P.	(i) Operator . . . . .	2	13	4
include (VIII) Rule Dress	(ii) Caster . . . . .	0	7	10
Up and (IV) First Read-	(iv) First Reading Corrections . . . . .	1	7	0
ing Corrections . . . . .	(viii) Rule Dress Up . . . . .	0	11	6
9 8 0	(ix) Gas . . . . .	0	5	0
	(x) Electricity . . . . .	0	2	2
	(xi) Loss on Metal Melting . . . . .	0	0	2
9 8 0		5	15	4

(III) Arranging—No such operation.

(V) Second Reading Correction ;

(VI) Third Reading Corrections ; and

(VII) Revise Correction.

Explained below.

First reading corrections are carried out by a hand compositor whether the matter is set by Hand or by Machine. Provided the hand compositor does this work efficiently subsequent corrections should be at a minimum. IV shows the cost of this hand compositor. Subsequent corrections found necessary as a result of this man's bad work would arise whether the matter was composed by hand or Machine. V, VI and VII are therefore problematical and do not effect relative costs of composition by Hand or Machine.

(XI) Water—is used solely to quickly solidify the type on casting. It permeates the mould fed by a  $1\frac{1}{8}$ " pipe—the cost in this case is negligible and has been ignored.

**NUMBER OF CERTAIN INDIAN OFFICERS ON THE NORTH WESTERN RAILWAY.**

73. (c) There is no rule under which the existing incumbents of the posts referred to in part (a) of the question are required to have qualified from the Walton Training School. So far as the existing incumbents of the posts are concerned, none of them have been ordered to qualify at the Walton Training School in the duties of the posts held.

## THE RESERVE BANK OF INDIA BILL.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of amendment No. 89\* moved by Raja Bahadur Krishnamachariar.

**Mr. B. R. Puri** (West Punjab: Non-Muhammadan): Sir, I was discussing yesterday afternoon various reasons and arguments which had been advanced by the Honourable the Finance Member in support of his statement that, as the measure is worded and framed, it sufficiently secures the achievement of our object, namely, that 75 per cent. of the shares of the Reserve Bank will be held by Indian nationals. I had already shown that the fact, that there were so many separate registers provided for each province, did not achieve the object that we had in view, because in each and every province there are non-Indians. There is no part of the country where non-Indians are not to be found and, unless there was some restriction placed upon the purchase of shares by them, we cannot safely expect to achieve our object. Sir, I endeavoured to show, would it help if the shares were allotted to applicants according to the plan adopted in the Bill? This would hardly secure to any particular class of people the bulk of the shares. Then the Honourable the Finance Member refers to the evidence of some of the expert witnesses, notably Mr. Shroff, whom the Select Committee examined. But, on going through his speech, I find the following passage:

"We are quite certain that this will mean that Indians must get practically the whole of the shares at the outset and we believe further, and we are confirmed in this belief by many of those who appeared before us, including Mr. Shroff . . . ."

—now these are the words to be noted—

" . . . that the vast majority of these shares will be firmly held and will not go on the market again."

Now, I understand that sentence to mean only this that Mr. Shroff and certain other experts were merely of the opinion that, once these shares are bought, the holders would not be eager to sell them away. They would cling to them, because it is a good investment. This reference to Mr. Shroff's statement does not solve our difficulties. Mr. Shroff does not say that the preponderance of shares will go to Indian nationals. Therefore, the reference to Mr. Shroff's evidence is to my mind irrelevant. The next argument to which the Finance Member resorted was that non-Indians on retirement from India will be debarred from the benefits of those shares. They will not be able to draw the dividends, and they will lose their vote. That is perfectly correct, but they could always find non-Indians to purchase the shares. If the shares are really valuable and nobody can doubt that, and if, in addition, they confer a valuable right, then non-Indians would always welcome to purchase these shares. I submit that this again would hardly be an argument in support of the Finance Member's contention. As long as there is a very large number of non-Indians in the country with enough means to buy off these shares, these shares need not go abegging. There is a small number of non-Indians retiring from time to time, and if they are compelled to part

\*That to sub-clause (3) of clause 4 of the Bill, the following proviso be added :

'Provided however that at least 75 per cent. of the total number of shares shall always be held by Indian nationals.'

[Mr. B. R. Puri.]

with these shares, they can always find—very conveniently and with profit—other men of their own community to purchase those shares from them. This would not solve the problem and would not achieve us the object we have in view.

Then, Sir, the Honourable Member says that nobody can have more than 10 votes. There, again, I have got no dispute with him, but how does that solve our difficulty? Lastly, he says: Look at the example of the Imperial Bank: On the shareholders list of the Imperial Bank, there are 65 per cent of Indian nationals, and from that he concludes that the shares of the Reserve Bank also will be held by Indian nationals in the same proportion. Sir, I was at some pains yesterday to show that the position of the Imperial Bank was not identical with the position of the Reserve Bank. One is a commercial institution, pure and simple, and the other is a commercial institution *plus* a great deal more. Therefore, the demand on the part of non-Indian nationals to secure the shares of the Reserve Bank would be far greater and they will be far more eager to secure the privilege of a vote in an institution which is to control the destinies, at least the financial destinies, of this country. I have endeavoured to discover some kind of material in the speech of the Honourable Member which could be validly regarded as an argument to convince us that our object would be achieved by the arrangement adopted in the Bill. Now, Sir, I have failed to find any hidden or mysterious mechanism in this measure whereby the Indian nationals would necessarily secure any advantage over others. If by accident, chance or luck we happen to achieve that position, the credit of that will not be due to the Honourable Member. I would ask the Honourable Member to show me a single clause which could be regarded as a valid argument for the proposition in question. I, therefore, regret to say that to my mind the hope held out by the Honourable Member appears to be totally illusory.

But let us assume for a moment that his assurance is a genuine assurance, where does it lead to? Sir, ever since my childhood, I have known one great trait of character of English people and that is their patriotism. Sir, I wish we could take a leaf out of their book. If we only possessed one-half or one-fourth of the patriotism which an average Englishman possesses, we would not be asking for these Reforms from them—we would take them ourselves. It is only as long as I and Dr. Ziauddin cut each other's throat, that they come in. Now, Sir, we are being assured today by an Englishman, Sir George Schuster, possessing the same measure of patriotism running in his blood as in any other Englishmen and he says: "Children, you keep quiet. I have put in the Bill enough for you. It does not appear on the surface, but you will get 75 per cent. all the same. You will control the destinies of this Bank. But you should not make any noise, it is there". Should we take it that the Honourable the Finance Member is going to do a bad turn to his own countrymen by curtailing their right to purchase these valuable shares? If it is a valuable right, he is obviously injuring his own people, and at their expense giving us an advantage. Could we for a moment take that assurance seriously? I think an Englishman even under chloroform is not capable of doing injury to his own people, and I admire that trait of his character. I, therefore, say that when Sir George Schuster assures us that he has here in this measure given us an advantage over his own

people, there must be some mistake. It is much safer to conclude that this assurance or hope which he has held out is illusory.

Referring once more to the Finance Member's speech, I invite your attention to a particular sentence where he says:

"We on this side have not the smallest doubt that in practice considerably more than 75 per cent. of the shares will actually be held by (*now kindly note the words*), natural born Indians."

**Sir Abdulla-al-Mamün Suhrawardy** (Burdwan and Presidency Divisions; Muhammadan Rural): What is wrong with natural born Indians?

**Mr. B. R. Puri:** Who said there was anything wrong with them? I have not yet said anything. Kindly wait and listen and then comment. I only want you to bear in mind the words that I am emphasising. It will be secured to natural born Indians. Now, in one breath the Honourable Member says that natural born Indians will secure this and, in the next breath, he says:

"But we must take our stand on the position that, so far as the Statutory provisions are concerned, no distinction can be drawn in this matter between Indian born subjects of His Majesty and United Kingdom,—not dominion—British subjects, resident in India. That is an essential constitutional principle and the parallels quoted from other Central Bank Statutes do not apply in the present case,"

—here are words to which I would invite the attention of the House in particular,—

"because in this case, we must regard the United Kingdom British subjects resident in India as equivalent to Indian nationals."

Now, Sir, the Honourable the Finance Member starts by saying that 75 per cent. of the shares will be secured to the natural born Indians, and ends by proving that 75 per cent., shares will be secured by natural born Indians *plus* the British subjects of His Majesty, who will constitute, according to his definition, the Indian nationals.

**The Honourable Sir George Schuster** (Finance Member): I never said, anything of the kind. I think the whole House must appreciate that.

**Mr. B. R. Puri:** If necessary, I will repeat again what he said. One has only got to compare the two expressions which I have already quoted from the speech, it is not from memory that I am placing this material before the House. I am placing before the House the very words used in that speech. Natural born Indians—I take that expression to mean, natural born Indians out and out and I understand Indian nationals to mean the same.

**Mr. F. E. James** (Madras European): Not as natural born Indians.

**Mr. B. R. Puri:** What else are they? For the purpose of securing shares in this Reserve Bank, I take it that the Honourable Member makes no distinction between the two classes. If, for the purpose of purchasing shares, we and the British subjects resident in India are on par and if there is no distinction between us, then I submit that the claim of the Honourable the Finance Member that 75 per cent. of the shares will be secured to natural born Indians is not well founded. It remains not only not proved, but disproved. Sir, if, as I said in the beginning, the Government are really and genuinely in agreement with us, if they really think that our aspiration is a legitimate one and that we should be given these shares to the extent of 75 per cent., then I submit, as pointed out by the Raja Bahadur, what is there to prevent the Government from so stating openly in the Bill itself? We have

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been reminded of a new constitutional principle, a very convenient principle from the non-Indian point of view, one aspect of which we discussed yesterday when we were dealing with the adjournment motion. Sir, the mere fact that the Government hesitate to say so raises our suspicions. Nor can the measure be regarded an honest measure in the sense that it does not correctly represent all that is intended to be laid down. It reminds me of the case of a man who on his death bed was dictating his will to his lawyer and he said, so much money to each of my nephews and nieces, so much money to my employees who have been in my service for more than 15 years, and the Solicitor then asked for the names of nephews and nieces and servants who fulfilled the particular qualification and the man said: "To tell you the truth, I have not got any nephew or niece nor any employee who has been with me for 15 years, but it must be stated as such items always sound well in a will". It appears, therefore, that for the sake of the Bill sounding well, certain things which should have been mentioned have been omitted, and I am afraid there must be certain things mentioned which are not intended to be carried out. Why not place before the House an honest document which contains all that is intended to be said and does not contain anything which should not find any place in it? I do not propose to leave it at that, I would like to go a step further and show that this measure is not innocent as it looks, and that it contains a great deal more which would militate against our securing our object.

I take it that this Reserve Bank Bill is a reform measure and that the granting of a new Constitution depends upon it. I regard all these reform measures as "*war measures*," because, from the point of view of Government, a new régime is coming in, and naturally the English people are out to set their house in order. They are fortifying their position. They are safeguarding their interests, and I am not blaming them, I am not criticising them, for, if we were in their position, we would perhaps be doing more or less the same thing. I am mentioning it only in order to understand where we stand. The present measure appears to be a measure to secure financial safeguards.

Now, Sir, so far as the reforms and the Constitution that has been promised to us are concerned, my observations would be very few. And all that I want to say is that I attach very little importance to any reform or Constitution wherunder we have got no control over our finances, no control over the foreign policy, no control over the army, over the railways when our trade and commercial relations are to be governed by certain pacts and certain conventions of doubtful advantage to India. If these are the reforms that we are going to get, then the less said about the reforms the better. We have long been hearing about these reforms and at one time we were quite jubilant about them. It reminds me of the story of a man who was about to be married. He was very happy at first, but when the actual day arrived and he went inside the church where there was a large company of friends assembled, the bridegroom's behaviour appeared curious. So the best man stepped forward and said to him: "What's the matter with you? Have you lost the ring, or what?" He said: "No, I have not lost the ring, but I have lost my enthusiasm." So, by the time these reforms arrive, owing to measures such as this with all their safeguards and fortifications, I am afraid we shall have lost all our enthusiasm. Now, let us examine this Bill a little further. Looking at clause 4, you will find that this Reserve Bank

is going to be more or less a *cosmopolitan* institution. We have heard of cosmopolitan clubs, but I have not yet heard of a cosmopolitan Reserve Bank. Sir, I expected this Bank to be a *national* institution. Instead of that, I think it will be a more apt description to call it an *international* institution, because Germans, French, English, Americans, Japanese, etc., all can come in. Every one of them has got a voice in one form or another, some getting in through the main door, others through the side doors and still others through the trap doors or, as my Honourable friend, Dr. Ziauddin, said, the *chora durwaza*. But all of them are welcome, all classes of people and all races. It is a sort of a general meeting place for all sorts of nationalities, why we do not know. I hope and trust that the Honourable the Finance Member would give this House an assurance that the Central Banks in other countries are also run on similar cosmopolitan principles. If they are not run on such principles, then I would submit that this charity at our expense is neither fair nor honest. Sir, in every village a portion of the land is set apart as what is called the *Shamilat-deh*. The *Shamilat-deh* is the village common, which every one is entitled to use. When there are festivals, they are celebrated there. It is a general meeting place. Now, it appears to me that this unfortunate country is the *Shamilat-deh* for other nations. Germans might come, Japanese might come, all sorts of experiments, financial and otherwise, might be made here in this country. They have been given a voice, because, through these trap doors, foreign firms, as long as they have got a branch here and are registered here as a company, can buy shares in this Bank. Again, in the form of scheduled banks, any of these foreigners could come in. I submit, Sir, that this does not look very much like promoting the object of this amendment, namely, that 75 per cent. of the shares must be reserved for Indian nationals. Sir, whatever justification there may be for the English people to share with Indians the profits of this Bank, there seems no justification to invite the foreigners. Why allow us to be eaten by them? Perhaps you know the story of four friends who arranged a pic-nic. One of them said, he would bring some meat; another said, he would bring the drinks; and the third said, he would bring some sweets; but the fourth man, on being asked what he would bring, said, "I will bring couple of friends". Now, Sir, if there is a big feast going on here in this *Shamilat-deh*, which is the common property of everybody, we don't mind if you can eat yourself, but why invite outsiders? I submit that in these circumstances, the achievement of the object that this amendment has in view becomes a very remote reality, and the only way to secure it is by making a specific provision in the measure itself. Sir, I support.

**Mian Muhammad Shah Nawaz** (West Central Punjab: Muhammadan): Sir, this amendment will serve no useful purpose; on the other hand, it will cause unnecessary irritation and friction between the Indians and the British residents in this country. It also offends against the canon of non-discrimination agreed to by all parties in London. The White Paper lays it down by common consent that there should be no discrimination in respect of taxation, the holding of property of any kind and in other matters. Sir, I congratulate my Honourable friend, Mr. James on the speech which he made yesterday,—that Britishers in this country are going to be partners in the destinies of this country. We are not likely to break that partnership up, we welcome it. Apart from the representatives of banks and business houses who take interest in the finances, I do not think British institutions and British residents in India will jump at the offer to

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purchase the Reserve Bank shares. The idea that the British residents in this country will invest money in the Reserve Bank for political reasons is a pure moonshine. There is not one of them who would invest money in the Bank except for the reason that it represents a good investment. The British people are the wisest people in the matter of investment. They have equally good business of other kinds to invest their money in.

Now, Sir, there are many provisions in the Bill itself which will give a preponderance of Indian capital to Indians. Separate registers are kept to assure equitable distribution of shares in different provinces. Special methods of allotment are intended which will give precedence to the applicant for a few shares and will lead to other widespread holdings throughout India. No group in Calcutta or in Bombay or in Delhi will be able to control or dominate the affairs of the Bank. In view of the fact that we have reduced the denomination of shares from Rs. 500 to Rs. 10, even small people will be able to purchase a few shares. In addition to this, no shareholder, no matter how many shares he holds, will be able to exercise more than 10 votes. And the greatest and most important safeguard is this, that if a British resident holding Bank shares retires from India, he will automatically cease to vote or to draw a dividend. He will, therefore, be compelled to sell his share in the open market. Then there is another safeguard, namely, that the nationals of the British Dominions, which discriminate in any way against Indians, will not be allowed to purchase any shares. Are not these safeguards enough to ensure a preponderance of Indian capital, through the ordinary operation of the stock and share market? By virtue of these operations well over half the capital of the Imperial Bank is now held by the Indians. As our Honourable friend, Sir George Schuster, pointed out, if this has happened in the case of the Imperial Bank, there is no reason why it should not happen in the case of the Reserve Bank. We all know that the Imperial Bank was a British enterprise in its inception and we all know that the Governor General in Council has always nominated four Indian Directors to the Board of that Bank and it is by these nominations that there is a substantial majority of Indians on the Board. There is no reason then to hold that the Governor General in Council will adopt a different principle in his nominations to the Board of the Reserve Bank. As I have already said, we welcome the fact that British residents in this country are going to be partners in the destinies of this country: we are now partners in a joint venture and it would be invidious, if not to say impracticable, to discriminate. Sir, discrimination will lead to friction; it will lead to irritation; and it will endanger the smooth working of the new Constitution. I oppose this amendment and I do hope that the House will reject it. (Applause.)

**Mr. B. Sitaramaraju:** (Ganjam cum Vizagapatam : Non-Muhammadan Rural): Sir, I am afraid I cannot share the optimism of my Honourable friend to my right, and I also feel that he misunderstood the scope and the purpose of this amendment. Nor can I agree with my friend, Mr. Puri, to all he said. He has overdrawn the picture. The object he has in view is in accord with mine. On this motion we have this advantage which we generally do not have: that is, that the Honourable the Finance Member, on an earlier occasion, had been pleased to deal with this point, and the House has before it his point of view. I am not going into the

details of the question whether, in the actual application of the provisions of this Bill in practical effect, 75 per cent. or more of Indians would be secured or not. My Honourable friend, Mr. Mitra, was satisfied and would not, as told in the *Statesman*, be pressing for this motion, because he was satisfied that the provisions of the Bill would in actual practice secure for Indians 75 per cent. If the matter rested with that, I for one would believe that there is a considerable section on this side of the House, who would like to leave the matter at that. But the Honourable the Finance Member as well as my Honourable friend, Mr. James, speaking for the European Group, imported into this question what is called a great essential constitutional principle which is said to be involved in it. When a statement to that effect has been made, I humbly submit that I for one would not like to leave the matter at that without taking very serious notice of it. It is said that an essential constitutional principle is involved. What is that constitutional principle? Where was it laid? And how is it involved? There seems to be considerable misapprehension and some confusion of thought also with regard to this question. So far as the constitutional position is concerned, there are two documents of considerable importance which throw light on the position. They are the Proclamation of Queen Victoria and the Government of India Act. These were discussed at some length yesterday afternoon. In one respect it does bear upon this question, as well as on the question of dominion subjects, because it deals with the larger question involved, namely, what are the rights of British subjects, one and all resident in India? So far as the present constitutional position is concerned, I confess that I was not able to get at any particular provision of law there or anywhere else which would support the statement that this is an essential principle involved, namely, that the native born subjects of this country are equal to the British subjects resident here. It may be, as was pointed out by Mr. Puri yesterday, that in the constitution that we may have in the future, some provision to that effect might be made. Assuming for a moment that such a provision would be made, assuming for a moment that we have got to take note of what may be into our present legislation, assuming all that to be proper and possible, I would like to ask whether that affects the position seriously? By asking that 75 per cent. of those shares should be held by Indians, are you making a distinction in order to discriminate? I could very well understand, if we have shut out every non-national British subject, who is domiciled in this country, that that would amount to discrimination. But when we are prepared to say that 25 per cent is set apart for these people and we want at least 75 per cent to be secured to the people born in our country, I would like to ask, do you call that a distinction to discriminate? I venture to submit, Sir, that it is not. It is not a distinction to discriminate, but it is a distinction to protect certain vested interests. If that were not so, the course of legislation that we have so far been pursuing in this House would all be wrong. For instance, in the Airways Act, which we passed only last year, we have stated that enrolment under that Act, according to the provisions of section 9 of the Act, would be under the following conditions:

- " . . . Unless such person is a subject of His Majesty or a Prince of India and
- (a) is of unmixed Indian descent; or
- (b) if he is of mixed Indian and non-Indian descent, or
- (c) if he is of unmixed non-Indian Asiatic descent, is domiciled in India and his father and grandfather domiciled in India."

That is one of the provisions of the Act which we passed only last year in this very Legislature. When we passed that, was this House discriminating? Was this House making a distinction to discriminate? Was

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it making a discrimination to set apart certain kinds of services to people who are expected to be benefited by it having regard to the fact that they are the people of this country and therefore deserve to be treated with consideration?

Then, again, Sir, we have so many seats reserved on a communal basis for Muslims, for Hindus, for Christians and others. Was it also a distinction to discriminate or it was a distinction intended to protect certain interests in India? According to the Queen's Proclamation, every British Indian or British subject in this country, without any prejudice to his caste, colour or creed, is entitled to have equal opportunities and no denial to serve on those grounds. Notwithstanding that, in communal compartments certain interests have been provided for special treatment. When that was done, was it, I ask, a distinction to discriminate or a distinction only to protect weaker interests.

Again, Sir, legislation has been pursued with a view to protecting certain interests in the Provinces also. Was that *ultra vires*? I am afraid, a great confusion of thought does exist if Honourable Members or even the Government were to say, by merely providing a greater share in this case to India, we are making a distinction in order to discriminate. I venture to submit that it is not so. As I have already said, if we wanted to discriminate, we could have shut out the whole lot of them, but that was never our intention. This distinction was made only to protect Indian interests, with a view to providing for them a greater share in their own country.

This brings us, Sir, to two important questions. One is the question of domicile and the other is, what are the rights of the people who are born in this country? It must be remembered that we, who are born in this country, who belong to this country, must admittedly have a greater and a predominant claim for services in our own country. We cannot, at the same time, having regard to our constitutional position, shut out or overlook for a minute the rights of those British subjects who have come here and settled down. It was not at any rate the intention of any one of us that we should discriminate against those Britishers who are actually domiciled in this country having regard to our constitutional position. We feel conscious that, constituted as we are, we have to take their interests also into consideration, although we feel conscious that they are different from us.

The next question is the question of domicile. Yesterday the question of domicile was in a way said to be synonymous to that of residence, But that, mere residence was not enough to claim domicile, can easily be noted. Domicile is something more than residence. It is a status by which you make a permanent home in a country although you are not precluded from changing it from time to time. No person can have two domiciles. If an Englishman comes here and settles down for a number of years, he does not acquire any domicile in this country, and the authority for it will be found in one of the leading cases on that subject in Halisbury's Laws of England. I may cite an instance from that. An Englishman was resident in this country for a large number of years. He went back to his own country and wanted to press his claim in a court of law. The success of that claim depended on his having an English domicile. It was contended by his opponent that he, having been resident for a long time in India, India was his domicile. But it was held that the mere fact of a man being resident for however long a period in another country does not give him

the status of domicile, nor deprive his domicile in the country of his origin and that at no single time a man can have two domiciles, one in England and the other in India. There must be a clear intention to create one and determine the other. Such being the rights of domicile, we have to consider whether mere residence in this country would give them the same rights as domicile may secure, or whether there is any justification in making a confusion between residence and domicile. We should insist upon domiciliary qualification. In England, it is only men, who are domiciled there, have got rights. Mere residence by itself does not confer any rights on them. It is said, we cannot discriminate, because the Britishers do not discriminate.

Further, the Finance Member said that the mere fact that, in every Constitution and in every statutory provision in other countries, these shares are practically reserved to the nationals of those country should have no application here. It is not my desire to bring in the analogy of foreign countries. I do see the force of that argument that we cannot bring in the analogy of those countries in this matter for the simple reason that our own position is peculiar inasmuch as there are people of another country who are our Rulers and who have taken residence in this country and that their rights cannot be either ignored or denied. So far I do admit; but when it is said that in England there is no question of discrimination, no Statute ever made any discrimination; even assuming for the purpose of argument that I was wrong in holding that this was not discrimination, I would respectfully invite the attention of Honourable Members opposite to some facts. Before I do so, I invite Honourable Members to consider this.

**12 Noon.** Generally we do discriminate where there is a possibility of conflict of interests. Where the possibility of conflict of interests is not present or is so remote that it is impossible to conceive that it can ever come within the range of practical politics, there would be no occasion to make any provision in any Statute to discriminate. Therefore, whether British Statutes discriminate or not in the past cannot be taken into serious consideration. But, of late, if what I read the other day in the *Literary Digest* is correct, things even in Great Britain are moving so fast in this direction that it cannot be said that things are today going on in England as they did some years back. The *Literary Digest* of March 30, 1929, says:

"One after another of British companies whose securities have been made active are hastily meeting and amending charters and bye-laws to provide that control can never go overseas."

Then, again, we find, for instance, the Imperial Airways Company, Limited, excluding people who are non-Britons. Then there is another constitution under which the Marconi International Marine Company, Limited, have provided separate registers for foreigners and for British born subjects. The Marconi International Marine has made it very clear that, while a shareholder, who holds a share under the allotment given to the foreigners, cannot acquire any other share reserved or allotted to the nationals of Great Britain, it is permissible under its constitution that persons who are nationals of Britain can purchase the shares allotted for the foreigners.

**Mr. F. E. James:** May I be allowed to interrupt the Honourable Member for one moment, because I think there is some misunderstanding there? First of all, my Honourable friend has quoted certain cases of private companies which are making provisions themselves against the holding of

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shares by aliens, that is to say, by foreigners. Secondly, I am not aware of any Statute or any British Act at present which discriminates against British subjects from India, and that was the whole point of the argument which was used yesterday. I think my Honourable friend will perhaps remember that there was no claim that private companies did not discriminate against persons who are regarded as foreigners in Britain. I would remind him that Indians are not regarded as foreigners, but are welcomed as subjects of His Majesty.

**Mr. B. Sitaramaraju:** I think my Honourable friend has misunderstood the line of argument that I was pursuing. I started with a statement that, where there is a conflict of interests, there you will find always a provision to discriminate. Where there is no such possibility, or the contingency is remote, you do not find such a provision. But when conditions do appear, or appear to be reasonably probable, then you begin to move, and I said, the recent tendency was to move in that direction. I was first quoting a number of private companies. It is a fact that certain private companies have made this distinction by amending their charters granted by Government. (*Mr. Vidya Sagar Pandya: "Even banks."*) Even banks. The principle on which the whole thing is based is as I have read out from the *Literary Digest*, and the tendency in England at the present moment is in that direction. There is also confusion in the mind of my Honourable friend, Mr. James. A British born subject must be noted to be not the same as a British subject. He is considering both are same. What is provided here is that no British born subject shall have any right to hold any of these shares in these British companies. Coming to the Bank of England, we do not know what the Bank of England will do in the next four or five years. At the present moment there is a great outcry going on in England that the financiers, who are wielding great influence over the Bank of England, have of late engaged themselves in matters which were not conducive to the pure national interests of England, and Mr. Jarrie and Keynes and some other writers recently stated that the original intention of the Bank of England to have national control in order to promote national interests was lost sight of by the international adventurers of the financiers of the Bank of England, and it was considered necessary to raise a campaign in England itself to mobilise public opinion to the effect that the Bank of England should be purely confined to national interests. It is not quite possible for us at the present moment to know what exactly the Bank of England may do in the near future. My Honourable friend, Mr. Vidya Sagar Pandya, draws my attention to the provisions of the Midland Bank, which are to the effect that non-nationals are to be discriminated. Having regard to all these facts, I venture to submit that our providing 25 per cent. at the very outset must be appreciated even by the people of Great Britain. It is not a small thing to provide 25 per cent. of these shares for those people. All that we wanted was 75 per cent. and our justification is that this is our country, and we who are born in this country have a claim that institutions of this country should be, if not wholly ours, at least predominantly ours. Is that wrong? Are we so unreasonable as to say that in our own country we should have a greater share? Are we to hold this in partnership with people who may come here as sojourners? I submit, therefore, that so far as this constitutional principle is involved, I deny that there is such a principle as that and I maintain that if, in any future Constitution, this country is to be deprived of any legitimate share in

the service of this country or in the privileges of the natural born of this country, I for one would certainly object to it. With these few words, I support the motion.

**Sir Leslie Hudson** (Bombay: European): After the speech of my Honourable friend, Mian Shah Nawaz, I hardly thought it would be necessary for me to intervene in this debate; but consequent on the remarks of my Honourable friend, who has just sat down, I think it is necessary that I should put before the House the position, as we see it, of the British community out here and of the European residents in India. I should like to make it perfectly clear that the sole point on which I wish to take my stand is one of reciprocity. In doing so, I am merely repeating, and I am not going to repeat at any great length, what Mr. James said in his speech on the second reading of the Bill and the remarks which he made in his speech yesterday, and perhaps I may here say that the speeches on the adjournment motion yesterday rose to a height that we have not seen in this House for some time. The clear reasoning and the restraint with which Members spoke, I think, appealed to all in this House and will appeal to the whole of India.

Now, Sir, we British subjects resident in India have submitted to the Joint Parliamentary Committee in London memoranda drawn up by the European Association and by the Associated Chambers of Commerce which are the two main bodies through which European opinion is disseminated in India. Those memoranda definitely stated that any principle of discrimination between ourselves and Indian nationals is a principle that we cannot admit and that we cannot agree to. That is a plank in our platform on which the European witnesses before the Joint Parliamentary Committee pressed most strenuously, and here I should like to acknowledge the remarks made yesterday by my Honourable friend, Dr. Ziauddin Ahmad, who said that he wanted no discrimination between British residents in India and Indian nationals, and my Honourable friend, Mr. B. Das, who said definitely that he wanted to have equal rights for both those communities. Earlier in the debate, Mr. Mitra expressed similar sentiments. Our claim has always been based on the basis of reciprocity, reciprocity in the legislation of the United Kingdom, and we maintain that British residents out here should be at no disadvantage in India in any matter where no similar discrimination exists in the United Kingdom. The matter of disabilities imposed on Indian nationals in other parts of the Empire is an entirely different matter and was fully discussed yesterday. This Group has on many previous occasions given its unequivocal support to Indian interests and to Indian protest in that particular matter. This question of reciprocity was accepted by the Round Table Conference in 1931 and an endeavour has been made to incorporate it in the White Paper. We only ask for the acceptance of that principle by this House, which, I maintain, is being infringed by this amendment, and, with regard to this question of percentages, I echo what my friend, Mian Shah Nawaz, said. There is not the slightest possibility of any British interests in India investing in shares of the Reserve Bank with the ultimate view of using them as a political instrument. British business men are not given to that sort of procedure, especially out in this country. They put their money in investments which they consider to be secure for getting a reasonable return on their capital, and the fact that no British resident in India can retain shares when he retires from India will not produce any great enthusiasm amongst Britishers out here.

[Sir Leslie Hudson:]

for investing in a concern that has so restricted a market so far as the Britisher is concerned. As for my Honourable friend, Mr. Puri's remark that any Britisher can get rid of the shares to another Britisher, that is not the usual way of disposing of your securities when you leave India. They are sold in the open market through a broker. It is quite immaterial to the seller who the purchaser is, provided his cheque is good for the amount. We take our main stand on this principle of reciprocity and any attack on that principle, as an amendment of this description and other amendments later on do so attack it, must and will be strongly opposed by us.

**Mr. T. N. Ramakrishna Reddi** (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): After long speeches made on this amendment, I do not want to take up the time of the House by making another long speech, but I would like to put one or two questions to the Honourable the Finance Member so that he might answer those questions when he replies to the debate on this amendment. The Honourable the Finance Member the other day said that there would not be great inducement for the Britishers to take many shares in this Reserve Bank as they have to sell out their shares when they go back to their country after retirement from service or profession, and the same idea has also been expressed the other day by my Honourable friend, Mr. Studd. But, after reading the evidence of the Secretary of State and also the memoranda which he submitted before the Joint Parliamentary Committee, I find some difficulty which I will put in the form of questions for my Honourable friend to answer. As for the memoranda it is stated that in regard to any company or corporation that is or may hereafter be established or incorporated in India, the question of domicile or residence will have a different meaning altogether, that is to say, a British subject domiciled or resident in England is deemed to fulfil all the conditions laid down by any Indian law as to the question of domicile, residence or duration of residence and other things. Putting this in plain language, it means that if any Indian Act provides, as this Reserve Bank Bill attempts to do, that a person should be resident in India for the purpose of holding shares, then a Britisher, who is domiciled in the United Kingdom, who has not come over to India or who has come and returned after coming here, is deemed to fulfil the conditions laid down by this Bill. That is to say, he is deemed to reside or continue to reside in India and hold shares in the Bank. That is the meaning, and this has been amplified by the question put by Sir Hari Singh Gour and the answer given by the Secretary of State. On page 390 of the evidence, Second Volume, in question No. 15577—that a person domiciled in the United Kingdom shall, notwithstanding an Indian law to that effect that he shall be domiciled in India, be deemed to be domiciled in India for the purpose of this clause. The answer is: "Yes, that is so". Instead of "domicile" you might substitute "residence". I will read the section in the memorandum itself. This is the memorandum submitted by the Secretary of State before this Committee. It says:

"In the case of a company which is or may hereafter be incorporated in India, British subjects domiciled in the United Kingdom will be deemed *ipso facto* to comply with any conditions imposed by law on the company instead of domicile, residence, duration of residence, language, race, religion, descent or place of birth of the Directors, shareholders, agents and servants."

That is the question which I would like the Honourable the Finance Member to answer.

Then, with regard to the question of discrimination, in my humble opinion, this reservation of 75 per cent of the shares for Indian nationals will not come under the definition of discrimination. Sir, every day we are having questions put on the subject of the percentage of appointments to be reserved for a particular community in India, and so on, and the Government also have approved of and are in fact adopting a certain percentage of appointments being reserved for a particular community. Even in the case of the Indian Civil Service, they reserve a certain proportion for Europeans and Indians. So that, the mere reservation of a certain percentage, even according to the Government's showing, does not and cannot amount to discrimination. If a particular community or a particular nation is entirely excluded from enjoying the fruits of some particular appointments, then it amounts to discrimination, but if a certain percentage is reserved for Indian nationals, then it does not come under the definition of discrimination. So, with these few words, I would request the Honourable the Finance Member to reply to these points that I have raised.

**Mr. S. C. Mitra** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Sir, this amendment has raised an issue on which, if I understand aright, the different sections in this House are all of one mind. So, I do not know why we are taking so much time of the House in coming to a decision. Everybody here (including the Treasury Benches) is anxious that Indians should secure the shares of this Bank not only to the extent of 75 per cent, but much more, and the Honourable the Finance Member made it clear that he not only desired, but he was almost certain that that purpose would be attained. With that view, Sir, I completely agree. The Honourable the Mover of this amendment, the Raja Bahadur, said that he wanted to get 75 per cent of the shares for Indians and that the surplus of 25 per cent should go to non-Indian nationals. Here, Sir, I join issue with him, because I expect that Indians should and will secure more than 75 per cent, and I further agree with my friend, Mr. Reddi, who has just spoken, that, strictly speaking, it will not be discrimination as suggested by Sir Leslie Hudson, because, as he says, 25 per cent. will be left for non-Indian nationals, that is, British-born subjects resident in India. I think logically he is correct, because the British-born subjects resident in India will not form more than 25 per cent. So, speaking very logically, it is not even discrimination; but my main ground is, why should we have a needless point stretched too far when there is the least feeling against it amongst the Members of the European Group or anybody else. Our main purpose may be attained, we should work for that; then, as the Honourable Mr. Puri put it, to make the "will" more decent-looking or reasonable, why should we provide for nephews, nieces and old servants? (Laughter.) Let us be strictly practical, and, as such, in fixing the limit of 75 per cent for Indians, I think it does no credit to our Indian fellow-subjects to put in that limit even. Sir, I am fully optimistic on this particular issue as regards the Reserve Bank. Our Indian fellow-subjects will be very alert and will get much more than 75 per cent, but, if still the point is stressed, may I appeal to the Honourable the Finance Member to see that, in the rule-making section of this Bill, he can provide in some way or other that, in case of any extreme necessity for which there is no reasonable apprehension, some steps might be taken to assure my friends on this side. But I think that to provide specifically here, by Statute, fixing 75 per cent for Indians, is absolutely unnecessary and needless. It is no doubt true that there is a strong feeling in the

[Mr. S. C. Mitra.]

country, because it is not possible perhaps for the ordinary man to judge the detailed scheme for the distribution of these shares. It has been made abundantly clear that in the first instance these shares will go to anybody who applies for Rs. 500 worth of shares and more and a large amount of the share capital will certainly be exhausted at the first stage. Sir, it is not without much consideration that I have come to the definite conclusion that a statutory provision here is not necessary if it in any way unduly hurts the feelings of our fellow-subjects. (Applause from the European Group.) Sir, the very excellent sentiments expressed by my Honourable friend, Mr. James, yesterday, we here fully reciprocate. (Loud Applause.) It may be said that this friendship between the dwarf and the giant may not be always to the advantage of the dwarf; but in any case we would like to forget if that is possible to forget the past, and for the future we confidently expect that the British-born subjects of His Majesty will always help us, the Indians, to attain our true position in the British Commonwealth of Nations. (Loud Applause.) On all these grounds, I appeal to the House that they may not press for this amendment.

**The Honourable Sir George Schuster:** Sir, I desire to follow the excellent example set by my two friends who have just spoken and to be as brief as possible. I think, Sir, you yourself have expressed the view that it is undesirable that any Member speaking on any clause in connection with this Bill should repeat arguments which he has already put before the House—and in this case my own view of the position has been very clearly, or as clearly as I could put it, laid before the House in a speech which I made last week, and I maintain that the case which I then put before the House remains entirely unanswered. I do not think it is necessary for me to follow my learned friend, Mr. B. R. Puri, into those very low depths—I hope he will excuse me for saying so—into which he attempted to take this discussion. I think my Honourable friends who listened to my speech and then listened to Mr. Puri's travesty of what I said will require no further contradiction from me to emphasise the way in which he misrepresented my remarks.

Before I enter upon any general statement, I should like just to deal with this question raised by my Honourable friend, Mr. Ramakrishna Reddi. I must confess that I have not yet had time fully to digest the significance of these somewhat complicated and technical questions and answers. In fact, until my Honourable friend raised the point, I had not had my attention called to them at all. But, as far as I have been able to see in the few minutes that have elapsed since my Honourable friend spoke, the examination of that point was directed to the position of companies incorporated in India. There is one answer of the Secretary of State which my Honourable friend did not read and which I think is instructive. He says:

"No, not at all. The meaning of the clause is the meaning that Sir Malcolm Hailey and I explained in answer to a question of Lord Reading's yesterday. This clause deals with the setting up of Companies in India. The Indian Legislature can make conditions, but if those conditions affect domicile, residence, duration of residence, and so on, a United Kingdom Company incorporated in India would, for that purpose, count as an Indian Company."

Sir, I think that the point at issue there is quite different to that which concerning my Honourable friends.

**Mr. T. N. Ramakrishna Reddi:** I will refer my Honourable friend to question No. 15595 which directly refers to the Reserve Bank. It is to be found on page 321:

"Questions were put to you yesterday in regard to the shares in such Companies where they should be held by those residing in India. I do not remember your answer, but it is not a condition laid down in the Reserve Bank Act that shares of that Bank will only be allotted to residents in India."

That is a direct question, and then comes the answer:

"Here, again, it is very difficult, without reverting to the report of the Committee, to give a specific answer. My memory goes to show that that is so, but I should like to confirm the actual words of the recommendations."

**The Honourable Sir George Schuster:** My Honourable friend has now got on to quite a different point. In this case the Secretary of State clearly had not got the report before him. But, in fact, his answer is perfectly correct. He said that, in the case of the Reserve Bank, the holding of shares would be restricted to residents in India, and that is exactly what we are providing in this clause.

**Mr. T. N. Ramakrishna Reddi:** This clause applies to the residents of Great Britain as well as to the residents of India. It applies to a British subject. That is what is contained in the memorandum. If you will kindly . . .

**Mr. President (The Honourable Sir Shanmukham Chetty):** Order, order: Sir George Schuster.

**The Honourable Sir George Schuster:** I am making the speech, and not my Honourable friend. I am perfectly willing to look into the question again, and if my Honourable friend likes to discuss the matter with me, I should be very glad to do so. But what he has put before the House does not substantiate any point which has thrown any doubt on the matter at all. In the one passage the Secretary of State was dealing with position of Companies which are incorporated in India and in the other case he is dealing with the Reserve Bank and the conditions that are to be imposed on the holding of shares in the Reserve Bank. In the Jatter case, he has referred to the necessity for residence in India and that is exactly what is provided for in this clause. That is our intention, and, as I made clear to the House yesterday, when Mr. Bhuput Sing raised the point, if the intention is not clearly carried out in the Bill as drafted, we are quite prepared to assist in clearing up that obscurity and in filling up that gap and adding a clause on the lines suggested by my Honourable friend, Mr. Bhuput Sing, yesterday. I submit that that will create a position which is entirely defensible, completely impregnable.

Now, Sir, on general grounds, as I have already said, I have not much more to say. The view which I put before the House when I spoke the other day was that this amendment really was a sign rather of weakness than of strength, that those who felt that it was necessary to provide for statutory protection of their position in this way were basing their ideas on conditions which had prevailed in the past. They have not examined the provisions of this Bill and they have not realised what will be the conditions of the future.

[Sir George Schuster.]

Sir, my Honourable friend, Mr. Puri, spoke about assurances which I had given. I gave no assurances of any kind, but I did express confidence in the way in which Indians would interest themselves in this Bank in the future. Nothing that Mr. Puri has said has shaken my confidence and I am very glad to find my views on that matter supported by Members who are not always ready to support our views. I refer particularly to my Honourable friend, Mr. Shah Nawaz, and my Honourable friend, Mr. S. C. Mitra, who has just spoken. We feel that the safeguard for the Indian position in this case lies in the original provisions for allotment. We feel that, owing to the conditions which we have laid down, it is quite certain that, in the first place, the vast majority of the shares will be allotted to Indians. If that position is once created, surely Indians will have sufficient interest in their own institutions to protect that position in the future. I hope that that is the view which the House will take because, as has already been clearly pointed out by several speakers, we must regard any attempt to lay down definite percentages and to introduce statutory protection of this kind as an example of discrimination which would be contrary to the constitutional principles which must be observed in this legislation. I think that that is all that I need say. I hope very much that my Honourable friend will agree to withdraw his amendment. I submit that that is the course which is likely to be the best in accord with the wishes of the House.

**Mr. President:** (The Honourable Sir Shanmukham Chetty): The point raised by Mr. Reddi may be discussed with reference to the amendment of Mr. Bhuput Sing. That will be the proper occasion when a point of that nature can be cleared up as the amendment of Mr. Bhuput Sing raises the issue definitely as to what will be the rights of non-Indian British subjects who cease to reside in India. That point can be taken up at that stage. Does the Honourable Member (Raja Bahadur G. Krishnamachariar) ask for leave to withdraw his amendment?

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): May I know, Sir, whether the debate is going to be closed. No one has asked for its closure. I want to speak.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair is putting the question. When the Chair feels that there has been a fair debate on a question, it has the right to put the question.

**Raja Bahadur G. Krishnamachariar** (Tanjore cum Trichinopoly: Non-Muhammadan Rural): So far as the proposal to withdraw my amendment is concerned, would it not be possible for you to allow me time till that question is decided, because the question of the remaining 25 per cent is also involved as I stated in my speech?

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair does not think that the decision on this point need be postponed, because it understood the Honourable the Finance Member to say that it was clearly the intention of Government that when a non-Indian British subject who resided in India left India, he forfeited his rights as a shareholder. There does not seem to be any difference of opinion on the point. If the evidence given by the Secretary of State has cast any doubt, then, when the amendment of Mr. Bhuput Sing is

taken up for consideration, the House can introduce any necessary amendment which will place that point beyond doubt. The Chair does not think that the decision on this particular amendment of the Honourable Member, Raja Bahadur G. Krishnamachariar, need be postponed for that purpose.

**Raja Bahadur G. Krishnamachariar:** I am sorry I cannot withdraw my amendment. Will you please allow me time till after Lunch to make up my mind, because there are only five minutes more to adjourn for Lunch?

**Mr. President (The Honourable Sir Shanmukham Chetty):** What the Chair proposes to do is this. After disposing of this amendment either by withdrawal or by putting the question, the Chair proposes to go back to Mr. Bhuput Sing's question.

**Raja Bahadur G. Krishnamachariar:** My humble request was whether you could postpone the disposal of this amendment till after Lunch. It is for this reason that this question has been discussed all this time and I was out.

**Mr. President (The Honourable Sir Shanmukham Chetty):** The Chair will now adjourn the House and, soon after Lunch, if the Honourable Member does not ask for leave to withdraw, the Chair will straightforwardly put the question on this amendment.

The Assembly then adjourned for Lunch till Two of the Clock.

The Assembly re-assembled after Lunch at Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

**Mr. President (The Honourable Sir Shanmukham Chetty):** The question is:

"That to sub-clause (3) of clause 4 of the Bill, the following proviso be added : 'Provided however that at least 75 per cent. of the total number of shares shall always be held by Indian nationals'."

The Assembly divided:

AYES—30.

Abdul Matin Chaudhury, Mr.  
Bagla, Lala Rameshwar Prasad.  
Das, Mr. B.  
Hoon, Mr. A.  
Jadhav, Mr. B. V.  
Krishnamachariar, Raja Bahadur G.  
Lalchand Navalrai, Mr.  
Liladhar Chaudhury, Seth.  
Mahapatra, Mr. Sitakanta.  
Maswood Ahmad, Mr. M.  
Mujumdar, Sardar G. N.  
Neogy, Mr. K. C.  
Pandya, Mr. Vidya Sagar.  
Parma Nand, Bhai.  
Patil, Rao Bahadur B. L.  
Puri, Mr. B. R.

Puri, Mr. Goswami M. R.  
Raghbir Singh, Rai Bahadur  
Kunwar.  
Rajah, Rao Bahadur M. C.  
Reddi, Mr. P. G.  
Reddi, Mr. T. N. Ramakrishna.  
Roy, Kumar G. R.  
Sant Singh, Sardar.  
Sarma, Mr. R. S.  
Sen, Mr. S. C.  
Singh, Kumar Gupteshwar Prasad.  
Sitaramaraju, Mr. B.  
Thampan, Mr. K. P.  
Uppi Saheb Bahadur, Mr.  
Ziauddin Ahmad, Dr.

## NOES—52.

Abdul Aziz, Khan Bahadur Mian.  
 Ahmad Nawaz Khan, Major Nawab.  
 Anklesaria, Mr. N. N.  
 Ayangar, Mr. V. K. A. Aravamudha.  
 Bajpai, Mr. G. S.  
 Bhore, The Honourable Sir Joseph  
 Bower, Mr. E. H. M.  
 Brij Kishore, Rai Bahadur Lala  
 Chatarji, Mr. J. M.  
 Clow, Mr. A. G.  
 Cox, Mr. A. R.  
 Dalal, Dr. R. D.  
 Dash, Mr. A. J.  
 DeSouza, Dr. F. X.  
 Dillon, Mr. W.  
 Graham, Sir Lancelot.  
 Grantham, Mr. S. G.  
 Haig, The Honourable Sir Harry  
 Hezlett, Mr. J.  
 Hudson, Sir Leslie.  
 Ismail Ali Khan, Kunwar Hajee.  
 James, Mr. F. E.  
 Jawahar Singh, Sardar Bahadur  
 Sardar.  
 Lee, Mr. D. J. N.  
 Mackenzie, Mr. R. T. H.  
 Macmillan, Mr. A. M.  
 Metcalfe, Mr. H. A. F.

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): We now go back to amendment\* No. 35 moved by Mr. Bhuput Sing. In this connection fresh notice has been received of an amendment from Mr. Gaya Prasad Singh: the Chair will now ask Mr. Gaya Prasad Singh to move his amendment.

**Mr. Gaya Prasad Singh** (Muzaffarpur cum Champaran: Non-Muhammadan): Sir, I beg to move:

"That to sub-clause (3) of clause 4 of the Bill, the following be added at the end : 'and no person, who, having been duly registered as a shareholder, ceases to be qualified to be so registered, shall be able to exercise any of the rights of a shareholder otherwise than for the purpose of the sale of his shares'."

As was pointed out yesterday, there seems to have been a lacuna left in this clause as it has emerged from the Select Committee, and it is, with the object of filling up that lacuna, that I am rising to move this amendment. The qualifications prescribed for a shareholder in clause 4(3)(b) are that he must be:

"A British subject ordinarily resident in India and domiciled in the United Kingdom or in any part of His Majesty's dominions the Government of which does not discriminate in any way against Indian subjects of His Majesty."

These are the qualifications which entitle a person to be registered as a shareholder of the Bank. If he ceases to fulfil these qualifications, that is, if he ceases to be ordinarily resident in India and to be domiciled

\* "That to part (b) of sub-clause (3) of clause 4 of the Bill, the following proviso be added :

'Provided that no person mentioned in this sub-section shall continue to be member or be entitled to receive any dividend or any bonus in respect of shares held by him after he changes his description or denomination as mentioned in this sub-clause'."

Millar, Mr. E. S.  
 Milligan, Mr. J. A.  
 Mitter, The Honourable Sir Brojendra;  
 Morgan, Mr. G.  
 Mukherjee, Rai Bahadur S. C.  
 Nihal Singh, Sardar.  
 Noyce, The Honourable Sir Frank.  
 Pandit, Rao Bahadur S. R.  
 Rafiuddin Ahmad, Khan Bahadur  
 Maulvi.  
 Raismann, Mr. A.  
 Ramakrishna, Mr. V.  
 Rau, Mr. P. R.  
 Schuster, The Honourable Sir George.  
 Scott, Mr. J. Ramsay.  
 Shah Nawaz, Mian Muhammad,  
 Sher Muhammad Khan Gakhar,  
 Captain.  
 Singh, Mr. Pradyumna Prashad.  
 Sinha, Rai Bahadur Madan Mohan.  
 Smith, Mr. R.  
 Studd, Mr. E.  
 Suhrawardy, Sir Abdulla-al-Mamun.  
 Talib Mehdi Khan, Nawab Major  
 Malik.  
 Tottenham, Mr. G. R. F.  
 Yakub, Sir Muhammad.  
 Yamin Khan, Mr. Muhammad.

in the United Kingdom or if the dominion from which he comes begins in any way to observe any sort of discrimination against the Indian subjects of His Majesty, he shall cease to be so qualified, and will cease to be entitled to hold any share. I have very few words to say by way of support of this amendment. It will be observed, as pointed out in a book on "Central Banks" by Kisch and Elkin, that there are provisions inserted in the Acts of various countries limiting the right of shareholding or otherwise only to nationals of that country. In the Bank of Japan, only Japanese are entitled to hold shares. In the Bank of Greece, voting is limited to Greek subjects only. In the Reichsbank of Germany, the President and members must be Germans. In the National Bank of Denmark, Danish citizens, whose shares have been registered in name for at least six months, are entitled to vote. In the National Bank of Roumania, the general meeting consists of Roumanian shareholders. . . .

**The Honourable Sir George Schuster:** Sir, is this relevant to my Honourable friend's motion? He knows that we are prepared to accept this amendment, and, in the circumstances, I suggest to my Honourable friend that no further speech is required.

**Mr. K. C. Neogy** (Dacca Division: Non-Muhammadan Rural): Perhaps he wants to atone for not having voted in the last division!

**Mr. Gaya Prasad Singh:** The motive which my friend, the Leader of the newly formed Party, has attributed to me is unworthy of him, and I do not think that on the mere fact that, I refrained from voting, he should have indulged in this sort of personal reflection. I was going to stop: but in view of what has been said, Sir, is it your ruling, that a Member, when he is moving an amendment, should be precluded from making his speech?

**Mr. President** (The Honourable Sir Shanmukham Chetty): No: the Honourable Member can go on.

**Mr. R. S. Sarma** (Nominated Non-Official): Is not a speech always in support of an amendment and to convince the Government Benches of the reasons for accepting it? And, when they have accepted it, there is no need to make a speech.

**Mr. Gaya Prasad Singh:** However, in view of the fact that the amendment of which notice was given by my Honourable friend, Mr. Bhuput Singh, is also to the same effect, but as there were certain considerations which prevented the Government from accepting that amendment, I have been asked to move this amendment in a form which may be acceptable to the Government while securing for us the object which we have in view. I, therefore, move this amendment, and I hope the Government will accept it.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That to sub-clause (3) of clause 4 of the Bill, the following be added at the end: 'and no person, who, having been duly registered as a shareholder, ceases to be qualified to be so registered, shall be able to exercise any of the rights of a shareholder otherwise than for the purpose of the sale of his shares'."

**The Honourable Sir George Schuster:** Sir, I should like to congratulate my Honourable friend on the excellence of his drafting; and, while I am prepared to accept my Honourable friend's amendment, I must also add that I do not entirely agree with all that he has said in support of it.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Does the Honourable Member, Mr. Bhuput Sing, want to withdraw his amendment?

**Mr. Bhuput Sing** (Bihar and Orissa: Landholders): Sir, I think my purpose would be served by the amendment proposed by my Honourable friend, Mr. Gaya Prasad Singh, and I, therefore, beg leave of the House to withdraw my amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Has the Honourable Member the leave of the House to withdraw his amendment?

The amendment was, by leave of the Assembly, withdrawn.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That to sub-clause (3) of clause 4 of the Bill the following be added at the end : 'and no person who, having been duly registered as a shareholder, ceases to be qualified to be so registered, shall be able to exercise any of the rights of a shareholder otherwise than for the purpose of the sale of his shares'."

The motion was adopted.

**Mr. President** (The Honourable Sir Shanmukham Chetty): We now go back to the amendment\* of Mr. Thampan, No. 36 on the Order Paper, and the Chair would ask Mr. Puri to move the amendment of which he has given notice.

**The Honourable Sir George Schuster:** Sir, before my Honourable friend moves his amendment, I should be grateful if you can allow me to explain the position so far as Government are concerned, because this also is a matter which was left over at our request so that we could consider the position. . . .

**Dr. Ziauddin Ahmad:** May I rise to a point of order: first of all we should know what the amendment is before the speech is delivered.

**The Honourable Sir George Schuster:** I think I can explain the position and my Honourable friend will understand it without hearing what the amendment is. The position is this: I stated on behalf of the Government yesterday that if it was possible to devise a clause which would meet the purpose stated in the first five lines of the Select Committee's note, we would have no objection to endeavour to find words for that purpose, instead of following the course recommended by the Select Committee, namely, waiting until the abuse arose and leaving it to be legislated against then. We have not had very much time to consider this, and the difficulties which we found illustrate the difficulties of attempting to alter a matter of this kind except in Select Committee. There are

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\* "That in sub-clause (3) (c) of clause 4 of the Bill, after the words 'a company' in the first line, the words 'having 75 per cent. of its capital held by persons qualified under (a) and (b) above and' be inserted."

a good many difficulties that we have discovered and we certainly want a little more time to consider this matter before we can put forward a form of words which I could inform the House that the Government would accept. I hope, therefore, that my Honourable friend will refrain from moving his amendment for the present if you, Sir, would allow him the opportunity to do so at a later stage. Again, I think it is unlikely that we shall conclude consideration of clause 4 today; and, in these circumstances, we ought to have a little more time to discuss the matter with my Honourable friend.

**Dr. Ziauddin Ahmad:** On a point of order, Sir, may I know on what topic the Honourable Member has been talking? Is it a point of order or is it upon a certain motion? There is no motion before the House now.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair said that the House resumed consideration of the amendment moved by Mr. Thampan, the consideration of which was held in abeyance. The House has now resumed consideration of that amendment. At that stage any Member can make a speech and Government can get up and make their position clear. In the meantime, the Chair thought that the Honourable Member, Mr. Puri, might be called upon to move his amendment. The Finance Member has made the position of the Government clear. It comes to this, that the Government are not yet clear that the amendment in the form suggested by Mr. Puri would meet the case, and, therefore, what the Finance Member suggests is that this might be held over until a satisfactory form of words can be devised. The Chair thinks, if that will suit the Finance Member, it would hold over Mr. Thampan's amendment for the present.

**Dr. Ziauddin Ahmad:** Sir, in fairness to ourselves, it is but right and proper that we should know what the amendment is. Discussion has been going on. . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): The amendment is on the Paper.

**Dr. Ziauddin Ahmad:** What is the new form of the amendment?

**Mr. President** (The Honourable Sir Shanmukham Chetty): The new form of the amendment has been circulated to Honourable Members.

\* Then the next amendment is No. 40 standing in the name of Mr. Sitaramaraju which raises the same issue as Mr. Thampan's, and, therefore, it is automatically held over.

Then the next amendment is No. 41 standing in the name of Mr. Reddi. The Chair thinks that that amendment is now out of order in view of the decision taken by the House on the previous amendment, and, therefore, No. 41 goes.

The next amendment is that of Mr. Vidya Sagar Pandya and he has withdrawn it, and notice of the same amendment has been given by Dr. Ziauddin Ahmad. This amendment presumes that the share capital is 7½ crores, and, therefore, this amendment is now out of order.

The next amendment is the one standing in the name of Mr. Yamin Khan, No. 48.

**Mr. Muhammad Yamin Khan** (Agra Division: Muhammadan Rural): Sir, I move:

"That in sub-clause (5) (a) of clause 4 of the Bill, for the word 'forty' the word 'twenty-five' be substituted."

Sir, if you will allow me, I should like to move Nos. 43 and 44 together, because there will be no meaning if both are not moved at the same time.

**Diwan Bahadur A. Ramaswami Mudaliar** (Madras City: Non-Muhammadan Urban): And you can move No. 46 also?

**Mr. President** (The Honourable Sir Shanmukham Chetty): But the other two will be consequential on this amendment. So, if the Honourable Member gets a verdict in his favour on this amendment, then the other amendments can be moved. Therefore, he can now confine himself to amendment No. 43.

**Mr. Muhammad Yamin Khan**: Very well, Sir. In the original Bill, it was provided that the Bombay area should get one crore and 65 lakhs and that the Delhi area should get only 80 lakhs. When the matter came before the Select Committee, I sponsored the case of Delhi and pointed out that a good deal of injustice would be done to Delhi and that should not be allowed. The Select Committee appointed a small sub-Committee which went into this question with a view to finding out the respective population in these two areas. . . . .

**Mr. Vidya Sagar Pandya** (Madras: Indian Commerce): Male population.

**Mr. Muhammad Yamin Khan**: Not male population only, but the whole population, because my contention was that the Delhi area contained the Delhi Province, the United Provinces, the Punjab, Kashmir, the North-West Frontier Province, Baluchistan, the Punjab States, Rajputana States and Gwalior States. That is an area which practically covers one-third of the whole of India and that may cover one-third of the whole population, and if one-third of the population and one-third of the area is not given one-third of the capital, then it will not be right to say that Indians hold all the shares. If we are to be consistent in saying that Indians will hold all the shares, then we must be equally consistent in allotting to the population of the different areas shares on a population basis. But if we condemn from the very beginning that one-third of the area and one-third of the population, and say that they are incapable of subscribing one-third of the capital, then we defeat our own object, and it will be a confession on our part that Indians are not capable of subscribing to the shares of this Bank, and, especially, it becomes all the more prominent when we say that Bombay and Calcutta should be given more than their due share. That would be tantamount to saying that the Indian population living in small towns and villages is incapable of subscribing to the shares and only those who have the privilege of living in big cities like Bombay and Calcutta are alone capable of subscribing to these shares. When this sub-Committee went into the whole question, it was found that the population of the Bombay area was only 19·5 per cent, that of the Eastern area or of the Bengal area was 29·3 per cent, that of the Northern area, i.e., of the Delhi area was 30·4 per cent. that of the

Southern area or of Madras was 16·5 per cent, and that of the Burma area or of Rangoon only 4·3 per cent. Therefore, according to the population basis and according to the area on which the population is distributed, in the division of five crores of rupees, Bombay should have got only 97½ lakhs; but Bombay was given one crore and 65 lakhs, Delhi ought to have got one crore and 52 lakhs, while Delhi was given only 80 lakhs—Delhi was given only half of the share that was legitimately due to her, while the Bombay area was given double of what was due to her. That was naturally a great hardship on the people living in small towns, because people living in big cities like Bombay and Calcutta got a larger share. In that Committee we had representatives from Bombay, Bengal and Madras, and I had the privilege to represent Delhi. The great difficulty was that the Bengal people found that their shares came to one crore and 46 lakhs and they were allotted one crore and 65 lakhs, and there was some difficulty to persuade them to accept less than this. So they also joined hands with other people who were benefiting at the cost of Delhi, and we found that eventually only Delhi and Madras were the greatest sufferers, but ultimately the Committee came to the decision that the whole question should be left to the Chairman of that Committee for decision and that we should all abide by his decision. . . .

**Mr. S. C. Mitra:** Can the Honourable Member go into all the details as to what happened in the Select Committee and how they came to a decision, and so forth? In that case, I hope you will also allow us to go into the details of what happened in the Select Committee.

**Mr. Muhammad Yamin Khan:** I am merely trying to point out as to how that decision was arrived at, because I find that several alterations have been made by the Select Committee in that amendment, and, therefore, I am not bound by the decision given by the Sub-Committee. Once that decision is disturbed, then the whole thing is disturbed, and I am entitled to re-open this question in this House.

**Sir Cowasji Jehangir** (Bombay City: Non-Muhammadan Urban): May I ask him whether the sub-Committee did not give his register one crore and 15 lakhs, and whether he did not agree to it?

**Mr. Muhammad Yamin Khan:** On condition that Bombay should not get more than one crore and 30 lakhs, while they pressed and got one crore and 40 lakhs.

**Sir Cowasji Jehangir:** I would appeal to the members of the sub-Committee to say who pressed and who yelled and shouted?

**Mr. Muhammad Yamin Khan:** My friend was the most vociferous and tried to take the fullest advantage of the absence of. . . .

**Sir Cowasji Jehangir:** That is absolutely incorrect, and I would appeal to my colleagues to say whether I opened my mouth at all on the subject. All the shouting, all the yelling, was done by the Honourable Member, and I would appeal to him not to repeat the shouting in this House.

**Mr. Muhammad Yamin Khan:** I thank my Honourable friend for the advice that he has given, but I can remind him that in the Committee he was the person who took up most of the time, he did most of the

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talking. (*An Honourable Member:* "Never.") Certainly I represented the cause of the people whom I have the honour to represent. If it was a question of injustice done, my Honourable friend would have found me equally zealous if Bombay had been the sufferer, although it might not concern me, and I would have gladly given out of the share of the Delhi area. My friends will see that under the amendment I am not demanding my due; I am asking far below that. Recognising that Bombay may be able to subscribe more, Bombay has been given more than its due share, and my Honourable friend cannot have any grievance against my amendment at least.

**Mr. Gaya Prasad Singh:** What was the decision in the London Committee?

**Mr. Muhammad Yamin Khan:** There was no decision on this point.

**An Honourable Member:** That is the trouble.

**Mr. Muhammad Yamin Khan:** We must presume that the people of India as a whole are capable of subscribing to the capital according to the population. If I have supported this Bill, if I have supported the shareholders' scheme, it is under the belief that the people of India will subscribe to the capital. If you condemn one-third of the population and say that that proportion is incapable of subscribing what ought to be their share. . . .

**Mr. Bhuput Sing:** What should be the proportion according to the income-tax returns for each province?

**Mr. Muhammad Yamin Khan:** If you go by the income-tax returns, my Honourable friend will be going against his own amendment, because the European population are paying a great deal of income-tax. My Honourable friend wants to take all the advantage in the name of Indians and not to give to the European, and at the same time he wants to condemn the Indian population. I have not got the figures of income-tax returns, but I will say one thing. While the Bombay area may say it has got a big urban population, I may say that Bombay has got an urban population of 92,72,000 while the Northern area has got 1,03,00,000 urban population. The Bombay Presidency may be proud of having Bombay, and the second town which comes in order is Hyderabad, and Karachi probably. At the same time, I will tell my friend that the Delhi area comprises the towns of Delhi, Lahore, Amritsar, Rawalpindi, Simla, Peshawar, Lucknow, Cawnpore, Benares, Allahabad, Meerut, Bareilly, Agra—these towns have got a population of more than one lakh each, some even have three or four lakhs. Delhi has got five lakhs population in the winter. Sir Cowasji Jehangir may say that more than Rs. 20,000 worth of shares may be allotted. Mr. Bhuput Sing says that not more than Rs. 20,000 worth should be allotted to one subscriber, but at the same time he wants that the very rich people should be given these shares and he wants to condemn in one breath the people who are living in the rural area and living in small towns. There is no consistency. If he wants to be consistent, he must be consistent from beginning to end. In the name of the Indians, a few people would get all the shares. I do not think they are fighting the cause of India; they

are fighting for a particular class only, and not for the whole of India. Even the Select Committee has given only 115 lakhs to the Delhi area while 152 lakhs is its due share. It was argued by some Members that this area will not be able to subscribe. I repudiate this assertion. This amount will be subscribed, I say, within half an hour's time. The whole capital will be subscribed by this area alone if it is left to this area. Simply because rich people are living in Bombay and Calcutta, it does not mean that they should be given more chance. We want the poor people to subscribe and not the rich people. There is no question of income-tax. It is the man who does not pay income-tax that should subscribe. I want the poor man in the Secretariat who gets Rs. 100 or 200 a month and can save Rs. 20 or so to subscribe. I want the agriculturist to subscribe. I do not want those people who pay income-tax to subscribe. People paying income-tax have other concerns to look after and not this Bank only. That was my fear that a time may come when it will be controlled by a few rich money-lenders or some rich people who will come in in the name of paying income-tax. Whose money is this that is going into their pockets? Is it not the earnings of the poorer classes?

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair thinks the Honourable Member is repeating the argument over and over again.

**Mr. Muhammad Yamin Khan:** Because a claim is made on behalf of those who pay income-tax, I say that it is the earning of the poor people that goes into the pockets of these men who pay income-tax. If all the three amendments are taken together, Bombay, instead of getting 140 lakhs, will get 125 lakhs, and I give this difference of 15 lakhs to the Delhi area, including the U. P., Delhi, the Punjab, N.-W. F. P. and Indian States. This is not a very big demand. Bombay should not get more than Rs. 97 lakhs on population basis, but I am giving it by my amendment Rs. 125 lakhs. With these few words, I commend my amendment to the House. It is an amendment in the interests of the whole of India.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (5) (a) of clause 4 of the Bill, for the word 'forty' the word 'twenty-five' be substituted."

\* **Mr. Amar Nath Dutt** (Burdwan Division: Non-Muhammadan Rural): The one redeeming feature of this amendment, which has aroused some inter-provincial jealousy, is that once at least we have heard "United India" not repeating His Master's Voice. I certainly do not see my way to support the amendment so ably moved, so feelingly moved and so eloquently moved, though the Chair called him to order for repeating his arguments. We were at times almost impressed by the repetition of his arguments and believed that there might be something in his arguments, but when we analyse his arguments, I do not find myself able to agree with what he would ask us to do in this matter. One argument of his has been that if you allot money or allot shares according to the income-tax that is paid by different provinces, why do you ignore the Britishers who pay income-tax. My friend forgets that we do not ignore them. They at least can have as much share in this Bank as any other Indian; but considering the proportion of income-tax which our European

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fellow subjects in India pay, the proportion of income-tax paid by Indians is certainly much higher. It is a question of simple arithmetic. One need not be a Wrangler like my friend, Dr. Ziauddin Ahmad, to appreciate it. Be that as it may, the argument about income-tax does not hold water in the present case. Then, again, he was pleading for the poor. Certainly any one having a grain of humanity in him would be with him if he was really pleading for the poor; but when I heard him and came to know the standard of poverty for which he was really pleading, I had to revise my opinion. He was saying that clerks getting Rs. 100 and Rs. 200 ought also to be able to subscribe. If that be the idea of poverty in a country like India, I should say that he has no idea of the appalling poverty of Indians and, if he only goes round a village, he will find. . . .

**Mr. Muhammad Yamin Khan:** My friend ought to know that I have taken more rounds in the villages than my friend even in spite of his old age may have taken.

**Mr. Amar Nath Dutt:** I protest against any insinuation of old age. I am as young as my friend over there and I can claim to have a more intimate knowledge of Indian villages than my friend can claim. I have my own village home. I live there. I own property there and I have relations in Bengal villages where I go every now and then. I know most of the villages in Western Bengal, if not in East Bengal. That being so, though I claim to be not as old as he is, still I submit that my knowledge about villages is not less than his. If one goes through any village, he will find that people there hardly earn more than three or four rupees a month and even then they are well off with a small paddy field and this small income. They are wealthy, compared with the people in the mud hovels with not even one full meal a day, and if he had spoken for them, I could have certainly understood him and supported him. I ask, why should this inter-provincial jealousy be raked up in every matter? We have had enough of these matters since the days of the Morley-Minto Reforms, which has degraded and debased our public life. The less that these things are spoken on the floor of this House, the better. With these words, I oppose the amendment.

**Sardar Sant Singh** (West Punjab: Sikh): Sir, my friend has severely condemned the spirit of inter-provincial jealousy that is exhibited in the House. He probably did not realise that he was himself, though unconsciously, committing the same breach with which he was charging Mr. Yamin Khan. If he was imbued with a national feeling he had no business to get up and oppose this amendment. But he knew that in the next two amendments the Calcutta register was sought to be deprived of a part of the share capital allotted to that register.

**Mr. S. C. Mitra:** There is no amendment for reducing the Calcutta shares. Do not go on surmises.

**Sardar Sant Singh:** I would very much like to support the motion moved by my friend, Mr. Yamin Khan, for the simple reason that my province is also included in the Delhi register. But there are two difficulties in my way—firstly, that the amended allotment of capital to various registers, as now found in the Bill, is the result of a compromise. The amendment goes against the spirit of compromise entered into in the Select Committee. Secondly, still a greater principle is involved in this amendment to which my friend did not direct his mind, and that is this, that he and I belong to

minority communities and have been clamouring for weightage and protection against the majority. If every problem in India is to be decided by numbers alone, we shall have to modify our demands. Is he prepared to do so? I do not mind it if he also does not mind it. But if he does, how can he expect us to subscribe to such an amendment? This will give a handle to the majority community to use it against us in other matters. Therefore, I have to oppose this amendment.

**The Honourable Sir George Schuster:** This is a matter on which it is impossible to say with any certainty what is right or wrong. It would be possible to spend three or four weeks discussing all the various possible permutations and combinations of the amounts that are to be given to each of these area registers. So far as we are concerned, speaking for the Government, we have no particular views as to the exact figures, provided that the amounts are roughly commensurate with the importance of the areas, and with the distribution of Directors from the various areas which has been proposed. Therefore, on this particular amendment, as far as the Government are concerned, we propose to remain entirely neutral. We do not think that the distribution proposed would be inconsistent with the importance of the areas or with the scheme of distribution of Directors and, therefore, we do not wish to lend the weight of our votes to one side or the other. That is our position.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (5) (a) of clause 4 of the Bill, for the word 'forty' the word 'twenty-five' be substituted."

As many as are of that opinion will say "Aye". (*Some Honourable Members*: "Aye.") Those of the contrary opinion will say "No". (*Some Honourable Members*: "No.") The Chair thinks the "Ayes" have it? (*Some Honourable Members*: "The 'Noes'.") Honourable Members who require a division will kindly stand in their places. The Chair proposes to take this division by requesting Honourable Members—the "Ayes" as well as the "Noes"—to rise in their places instead of going to the Division Lobbies.

**Dr. Ziauddin Ahmad:** Will you kindly read out the names also?

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair will explain that to the Honourable Member after the division.

The "Noes" have it.

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair may explain to Dr. Ziauddin and for the information of the House that there are precedents in this House in which, where it appears to the Chair that the demand for a division is not supported by many Members of the House, the Chair directs that Members who vote for the "Ayes" and those who vote for the "Noes" should stand in their places instead of going to the Division Lobbies, just to save the time of the House. The Chair proposes where it finds that the demand for a division is not strong enough in the House, to follow that practice. (Applause.)

**Mr. Muhammad Yamin Khan:** The only point I wish to urge, Sir, is that by recording the names of the Honourable Members who vote either way, it may be found whether the demand has come from the area which feels that it is unjustified; and as I say that all the people representing that area, excepting possibly one or two—all others feel that it was an injustice.

**Mr. President (The Honourable Sir Shanmukham Chetty):** Order, order.

**Mr. S. C. Mitra:** Sir, I submit that in that way a great privilege of the House will be interfered with if the names are not put on record. It is not an individual question; even the voting itself will suffer and the whole House will suffer in respect of its privileges if at any division the names are not recorded. The fact of names appearing on a division list even influences many Members in regard to their course of action, and this right of a division is a great privilege of the Members of the House. Therefore, Sir, if you do not think that it is a merely frivolous demand for a division, I would request you to direct that this may not be the general rule.

**Mr. President (The Honourable Sir Shanmukham Chetty):** There is absolutely no fear of this being made a general rule. The Chair can assure the Honourable Member that it will exercise this power in very very rare cases.

The next amendment, that of Mr. Muhammad Yamin Khan, also goes out. Does the Honourable Member, Raja Bahadur Krishnamachariar, want to move his amendment No. 45, dealing with sub-clause (5) (d)?

**Mr. Muhammad Yamin Khan:** Sir, my amendment No. 44 depends upon my amendment No. 46. No. 46 has not failed. No 43 may have failed—where the question was of taking away more money from the Bombay area; but, as far as it concerns the taking away of money from the Rangoon area, it did not fail. If you will permit No. 46 to be put in, then, if that fails, my No. 44 and also Raja Bahadur's No. 45 *ipso facto* fail; otherwise they do not fail.

**Mr. President (The Honourable Sir Shanmukham Chetty):** Order, order. In No. 44, the Honourable Member seeks to take away 15 lakhs, and in amendment No. 46, how does he distribute . . . .

**Mr. Muhammad Yamin Khan:** The Rangoon area is proposed at present to be given 30 lakhs. Well, my amendment No. 46 wants to give to the Rangoon area 20 lakhs. This means a difference of Rs. 10 lakhs.

**Mr. President (The Honourable Sir Shanmukham Chetty):** Where is it to be distributed?

**Mr. Muhammad Yamin Khan:** That I want to be given to the Delhi area.

**Mr. President (The Honourable Sir Shanmukham Chetty):** The amendment of Raja Bahadur Krishnamachariar is defective for this reason. He wants to give 30 lakhs more to the Madras register, but he does not say wherefrom the 30 lakhs is to come.

**Raja Bahadur G. Krishnamachariar:** I say it must be taken from the rest just as the House may choose. It is not my business.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The amendment, in that form, is vague and, therefore, cannot be moved. It is the duty of the Honourable Member himself to give a scheme which will be a self-contained one.

**Raja Bahadur G. Krishnamachariar:** May I submit that I am ready to omit the words "and necessary alteration be made to bring up the total to five hundred lakhs," and I simply want to move the first portion of my amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Even then it will be out of order, because that will leave it incomplete. The effect of this amendment will be to make the share capital five crores 30 lakhs, whereas the House has adopted a five crore share capital.

**Raja Bahadur G. Krishnamachariar:** Then I shall bring in another amendment if you will allow me; it is only a question of notice.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The notice ought to be before the House when the amendment is taken. The amendment is now before the House, and there is no notice.

**Raja Bahadur G. Krishnamachariar:** In view of your ruling, Sir, I hope I may be given a chance to say from where the rest should be taken. It is very easy. I say from Bombay one-half and from Calcutta one-half. (Laughter.)

**Mr. President** (The Honourable Sir Shanmukham Chetty). That is out of order. The next amendment is No. 47 in the name of Mr. Thampan.

**Mr. Amar Nath Dutt:** May I request you, Sir, to give the same latitude to my friend in regard to his amendment, namely, that it may stand over till tomorrow, as has been given twice to the Government Benches?

**Mr. President** (The Honourable Sir Shanmukham Chetty): There is no justification for doing that in this case.

**Mr. Muhammad Yamin Khan:** Sir, my amendment No. 46 requires that the Rangoon area may be given shares worth 20 lakhs instead of 30 lakhs and that is in order. What I request to the Chair is that I might be allowed to move all the three amendments simultaneously. I propose to take away 15 lakhs from the Bombay area and 10 lakhs from the Rangoon area, and I propose that this amount may be allotted to the Delhi area. Now, if my amendment fails, as far as Bombay is concerned, the 10 lakhs from Rangoon still stands and a consequential amendment will have to be made by the Government. Instead of 40 lakhs, the Delhi area will be allotted 30 lakhs.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Even if the Honourable Member had moved all his three amendments together, the verdict of the House on his first amendment would have cleared out the other two amendments and those two amendments would not have been put to the House.

**Mr. Muhammad Yamin Khan:** Sir, the House may not be willing to take away from Bombay, but it may be willing to take away from other areas.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair cannot discuss a point of this nature on the floor of the House. The amendment, in view of the verdict of the House, is out of order.

**The Honourable Sir George Schuster:** On a matter of procedure, might I call your attention to the fact that there are a great number of amendments which cover very much the same ground as my Honourable friend's amendment does. These are Nos. 47, 51 and 53 in the consolidated list and Nos. 3, 4 and 5 in the second supplementary list. I suggest that they might all be taken together.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Yes. The object of all these amendments is to constitute some sort of an *ad hoc* committee for the allotment of shares. So the Chair would allow all the Honourable Members to move their amendments and have a comprehensive discussion.

**Mr. T. N. Ramakrishna Reddi:** Before allowing those amendments to be moved, will you please see that my amendments Nos. 49 and 50 are allowed to be moved as they refer to the distribution of the share capital. You can afterwards take up the other amendments.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The House will come to them in their proper order.

**Mr. K. P. Thampan** (West Coast and Nilgiris: Non-Muhammadan Rural): Sir, I beg to move:

"That in sub-clause (5) of clause 4 of the Bill, before the proviso the following be inserted :

'A Committee consisting of six non-official and two official members of the Legislative Assembly shall be constituted to conduct the allotment of shares in accordance with the terms of these provisions'."

Sir, the object of this amendment is obvious. I want to entrust the task of allotting the shares to a non-official body elected by this House. You will find, Sir, that, under clause 8, the first Directors have to be nominated by the Governor General in Council. He will appoint the Governor, the Deputy Governor and the four Directors also to be nominated by him. The remaining eight Directors have to be elected by local bodies. But as the local bodies themselves will not come into being before the allotment of shares is over, it is essential to devise a machinery by which this allotment should be made. Moreover, the Directors to be nominated are the creatures of the Government and inasmuch as the casting of lots and other things contemplated in the subsequent provisions, namely, sub-clauses (6) and (7) of this section are proposed to be entrusted to them, it is highly desirable that a non-official body should be constituted for the purpose. It will also create, if I may say so, confidence in the country that the thing has been properly done. There are other purposes also to be served by this Committee to which I will refer later on. For the time being, however, I will content myself by moving this amendment and commend it for the acceptance of the House. The formation of the Committee may be in the manner in which the election for the Public Accounts Committee of this

House is made. The elected non-official Members may offer themselves as candidates and the election itself be on the basis of a single transferable vote. That is all I wish to say now.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (5) of clause 4 of the Bill, before the proviso, the following be inserted :

'A Committee consisting of six non-official and two official members of the Legislative Assembly shall be constituted to conduct the allotment of shares in accordance with the terms of these provisions'."

The Chair will now ask Mr. Azhar Ali to move his amendment, No. 3, that stands in the supplementary list No. 2.

**Dr. Ziauddin Ahmad**: I rise on a point of order. These two amendments serve entirely two different purposes. The object of the first amendment is that there is no need for the first nomination of the Central Board. This Committee will make allotment and the first Central Board will be elected as soon as these shares have been allotted. The intention of the second amendment is to serve as a kind of watch dog to see that the distribution is properly made.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Whatever might be the intention of the Movers of the amendment, the language of the amendments show that they raise substantially the same point and the right of the Honourable Members is not affected by this procedure so far as the voting is concerned. On the other hand, it will be more convenient from the point of view of discussion.

**Mr. Muhammad Azhar Ali** (Lucknow and Fyzabad Divisions: Muhammadan Rural): Sir, I beg to move:

"That in sub-clause (5) of clause 4 of the Bill, after the proviso the following be inserted :

'A Committee consisting of two elected Members of the Assembly and one elected Member of the Council of State, to be elected by non-official Members of the respective Houses shall be associated with the Central Board for the purpose of making public issue of shares and looking after the first allotment of shares'."

I might point out first of all that there is very little difference between the two amendments. The one moved by Mr. Thampan relates only to the conducting of the allotment of shares and my amendment also refers to the public issue of shares. I do not wish to take up the time of the House on this amendment of mine, but what I do wish to point out is that these two things will be the most important business of the Reserve Bank. In the very beginning, these two things will have to be done. We do not care whether the proxies will be obtained honestly or otherwise, but the first most important business of the Bank would be the issue of shares and the allotment of these shares. Sir, if the Members of the Assembly are given a chance to participate in the first sitting, and also whenever necessary, of the Reserve Bank, then it will inspire confidence throughout the country. I do not propose that they should be only Members of the Assembly, as I have also suggested a Member from the Council of State. Sir, it is known to all of us here that Members of the Legislature, whether they be of the Provincial or of the

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Central, are excluded simply for the reason that political influence should not be introduced into this Reserve Bank. But, considering the importance of these two matters, I would ask the House at least to give one opportunity to the Members of the Legislature who are the representatives of the people and thus to show to the whole country that the whole thing is being done sincerely and in accordance with the principles of banking and that, at the same time, the interests of the different provinces are not being ignored.

Sir, we have been hearing today, from this morning up till now, about provincial interests, and my Honourable friend, Mr. Yamin Khan, also moved an amendment to that effect. The other thing that we discussed today was about safeguards and the interest of the nationals. These two very important amendments were moved, and what did we find? We were in a minority and we were defeated; but we had at least our say in the matter of safeguarding the interest of the nationals and the shareholders. We want now that such things should be in the hands of the would-be Members who would be the representatives of the people on this Bank. With these words, I move my amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (5) of clause 4 of the Bill, after the proviso the following be inserted :

'A Committee consisting of two elected Members of the Assembly and one elected Member of the Council of State, to be elected by non-official Members of the respective Houses shall be associated with the Central Board for the purpose of making public issue of shares and looking after the first allotment of shares'."

**The Honourable Sir George Schuster:** Sir, I think it might be convenient for the House if I explain the Government's attitude on this amendment before we go any further. We entirely appreciate the reasons of Honourable Members who move these amendments and, so far as we are concerned, we have no objection at all to a Committee of the Legislature being appointed to satisfy itself that the allotment of shares is being conducted in accordance with the provisions laid down in the Bill. Of the various amendments that are down, we prefer an amendment on the lines just moved by my Honourable friend, Mr. Azhar Ali. It seems to us right that the proposal should take the form of appointing a Committee to be associated with the Central Board, because the provision of the Bill is that the Central Board should conduct the allotment. That, after all, is the business of the Central Board and a Committee of this Assembly will not have at its disposal all the machinery necessary to carry out that rather complicated bit of work. Apart from that, we think that a small committee would be better for the purpose and, for that reason, again, we prefer my Honourable friend, Mr. Azhar Ali's amendment. The wording is perhaps slightly vague, "shall be associated with the Central Board for the purpose of making public issue of shares", but I presume what my Honourable friend has in mind is that there should be a Committee of this House to satisfy itself as regards advertisements and the publicity which is given to the issue, and so on. On that understanding, we see no objection to the proposal. Therefore, on behalf of Government, I can say, we would accept the amendment which has just been moved. If that is satisfactory to the House, I think it might avoid further discussion.

**Mr. Lalchand Navalrai (Sind: Non-Muhammadan Rural):** Sir, I am glad that after all the Government have seen that they should not fight shy of the Legislature in these matters.

**The Honourable Sir George Schuster:** I do not know what my Honourable friend means by "after all". That has always been our position from the beginning.

**Mr. Lalchand Navalrai:** I have seen up to now that whenever we said that the Members of the Legislature should have something to do with this Reserve Bank, the suggestion was not taken up at all. I was considering at one time whether the Reserve Bank was going to be the Brahmin and we, the Members of the Legislature, were going to be the depressed classes. The Legislature is not composed of depressed classes, and I do not see any justification for Government to keep them at a distance. Therefore, it was that I said, after all good sense has prevailed with the Government. Now, Sir, my point is this. I have given an amendment which is similar to the amendment just moved by my Honourable friend, Mr. Azhar Ali, but there is one difference and that difference I want to point out to the Honourable the Finance Member and I would request him that my amendment should be accepted in preference to the one moved by Mr. Azhar Ali. My amendment runs thus:

"That in sub-clause (5) of clause 4 of the Bill, after the proviso the following be inserted :

'A Committee consisting of two elected Members of the Assembly and one elected Member of the Council of State, to be elected by elected Members of the respective Houses, shall be associated with the Central Board for the purpose of making the first allotment of the shares'."

I want the members of the Committee to be elected by only elected non-official Members of the House. But in the amendment, moved by Mr. Azhar Ali, they have to be elected by non-official Members of the House who include nominated Members also and my humble submission is that when the official side is fully represented in the Reserve Bank by the Governor General, it is not necessary that any of the creatures of the Governor General directly nominated should be made to join again in sending representatives from this House. Therefore the justification lies in this that in order to allow the popular side to be properly represented, the election should be confined to be made by the elected Members of both Houses. I think my request is a very reasonable one and I hope the Honourable the Finance Member, who is now in a mood to agree to some reasonable amendments on this point, would feel that mine is a more reasonable one and he would accept it.

**Mr. President (The Honourable Sir Shanmukham Chetty):** Further amendment moved:

"That in sub-clause (5) of clause 4 of the Bill, after the proviso the following be inserted :

'A Committee consisting of two elected Members of the Assembly and one elected Member of the Council of State, to be elected by elected Members of the respective Houses, shall be associated with the Central Board for the purpose of making the first allotment of the shares'."

**The Honourable Sir George Schuster:** As my Honourable friend has asked me what the Government's attitude on this matter is, I should like to say at once that we are not prepared to associate ourselves with my Honourable friend in regarding the nominated Members as untouchables. (Hear, hear.) We much prefer the form of amendment which leaves the election to the non-official Members of the House; and my Honourable friend was also not quite correct when he said that there was only one point in which his form of amendment differed from the one which I said we would accept. There is also another point of difference. In the earlier amendment the duty is laid upon this Committee to be associated with the Central Board also for the purpose of making public issue of shares, and, from my recollections of what passed in the Select Committee, I understood that this House was very much interested in satisfying itself that proper arrangements should be made for the advertisement of the issue, and so on, so that facilities should be available all over the country to the poorest classes. In that respect also I regret to have to tell my Honourable friend that I think his form of amendment is inferior to the one which I have said I would accept.

**Mr. Lalchand Navalrai:** I would admit . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member has no right of reply.

**Mr. Lalchand Navalrai:** I have none, but I do not like to move my amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): But the Honourable Member has already moved it.

**Mr. Lalchand Navalrai:** If I have moved it I should like to have the permission of the House for withdrawing it and my only reason for doing so is this, that my attention has been drawn to this better portion of the first amendment, namely, that the Members of the Legislature will be associated also for the purpose of making public issue of shares of the Reserve Bank and, in that sense, the first amendment is better than mine. I, therefore, beg leave of the House to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

**Mr. K. P. Thampan:** Sir, I also beg leave of the House to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (5) of clause 4 of the Bill, after the proviso the following be inserted :

"A Committee consisting of two elected Members of the Assembly and one elected Member of the Council of State, to be elected by non-official Members of the respective Houses, shall be associated with the Central Board for the purpose of making public issue of shares and looking after the first allotment of shares."

The motion was adopted.

**Mr. T. N. Ramakrishna Reddi:** Sir, I beg to move:

"That in the proviso to sub-clause (5) of clause 4 of the Bill, for the words 'in two equal portions to the Bombay and the Calcutta register' the words 'to the Madras register' be substituted."

I am not so ambitious as my Honourable friend, Mr. Yamin Khan, in taking money out of some area and appropriating it for his own area. My amendment is only to request the House to allow the extra share capital that has not been absorbed by the Delhi area to be transferred to the Madras area instead of transferring to Bombay and Calcutta areas. Sir, I join with my friend, Mr. Yamin Khan, in condemning this assumption of inferiority complex about Delhi in thinking that the Delhi area is incapable of subscribing to the whole share capital that has been allotted to it, because there has been a general impression that it is only Bombay and Calcutta where all the share capital can be subscribed and that in other areas it will not be subscribed. Sir, I demur from that view. I do not know if Bombay is as rich today as it is reputed to be after this trade depression and after the mills, one after another, have been closed down. However, Sir, once this proviso has been put in this Bill, I only want that whatever money is left unsubscribed in the Delhi area should be transferred to Madras. I do not want to repeat all the arguments of my friend, Mr. Yamin Khan, because he has proved my case also while proving the case for his province or his area. (*Several Honourable Members:* "He did not prove it, because he was defeated.") He failed, because he was more ambitious and wanted to take some of the share capital allotted to other areas. My intention is that what is left from the Delhi area unsubscribed may be given to Madras. With your permission, Sir, I may also be permitted to move the other amendment if this one fails, that is:

"That in the proviso to sub-clause (5) of clause 4 of the Bill, for the words 'in two equal portions to the Bombay and Calcutta register' the words 'in three equal portions to the Madras, Bombay and Calcutta registers' be substituted."

I am also a little ambitious and want to get all the 35 lakhs or whatever amount has been left unallotted for the Delhi area to be given to Madras straightforwardly, failing which I am less ambitious and I want to share with the other Presidencies of Bombay and Calcutta. With these words, I move my amendment.

**Mr. President (The Honourable Sir Shanmukham Chetty):** Amendment moved:

(1) "That in the proviso to sub-clause (5) of clause 4 of the Bill, for the words 'in two equal portions to the Bombay and the Calcutta register' the words 'to the Madras register' be substituted."

(2) "That in the proviso to sub-clause (5) of clause 4 of the Bill, for the words 'in two equal portions to the Bombay and the Calcutta register' the words 'in three equal portions to the Madras, Bombay and Calcutta registers' be substituted."

**Mr. S. C. Mitra:** Sir, I oppose the motion. I think Mr. Reddi has not understood the main purpose of this. We did not take any part in Mr. Yamin Khan's motion on a similar question and so we could not make the point clear at that time. In the original allotment, a crore and 65 lakhs were given to Bengal and Bombay areas each and Delhi was allotted only 80 lakhs. There was a sub-Committee appointed and there were men from each province and they changed these allotments considerably, and, when they reported to the Committee, we asked them the reason for changing it and they made it clear that they wanted to consider the various

[Mr. S. C. Mitra.]

questions of population, trade, importance, area and all other important factors. But it was, more or less, due to the clamourings of Mr. Yamin Khan that they had to yield and give the Delhi area 35 lakhs more. Now, there was a general impression among the members that the Northern India area, that is the Delhi area, may not really subscribe the whole amount of a crore and 15 lakhs. If you refer to the original Bill, as introduced in the House, you will find that Bombay was given a lakh and 65 thousand and Calcutta a lakh and 65 thousand and Madras was given 50 lakhs. According to the re-arrangement that we made, Madras's share was raised from 50 to 70 lakhs while 20 lakhs and 25 lakhs were deducted from the Calcutta and Bombay areas, respectively. That was the reason why, if there was a surplus left unsubscribed from Delhi's share, keeping 80 lakhs for the Delhi area, the balance should in all fairness go in equal shares to Calcutta and Bombay areas, and the Madras claim, as my friend puts it, is quite unreasonable. I could have understood my friend's argument to some extent if he had asked that the surplus should have been divided between all other areas. But when he says that his province, which has already got additional 20 lakhs by this re-settlement, should get a further portion of the surplus of which the other two areas have been deprived, I think there is no sense in his argument.

**Mr. N. N. Anklesaria** (Bombay Northern Division: Non-Muhammadan Rural): Sir, after the experience of my Honourable friend, Mr. Yamin Khan, one would have thought that my Honourable friend, Mr. Reddi, might have withdrawn his amendment or not moved it. The House has definitely shown itself above all parochial considerations and the main question before the House to be considered is not whether Bombay has got more or Madras has got less or Delhi has got still less. But the main question is whether the allotment and apportionment made will conduce to the success of the Reserve Bank scheme or not. That ought to be the main consideration before the House, and I am glad to see that the House is quite alive to that consideration. And, so far as that consideration is concerned, a dispassionate guidance cannot come from Honourable Members who have shown themselves definitely parochial. That dispassionate guidance can only come from the Select Committee which belong neither to Bombay nor to Madras nor to Delhi nor to any other province; and also from the Honourable the Finance Member, who belongs not to any particular province, but to the whole of India. I therefore, think that the House will be well guided by the opinion of the Select Committee and the Honourable the Finance Member in coming to their conclusion on the present amendment. Sir, I oppose the amendment.

**Mr. Muhammad Yamin Khan:** Sir, there is some kind of misunderstanding on the part of my Honourable friend, Mr. Reddi, when he moved this amendment. And as one point was not cleared in the speech of my friend, Mr. Mitra, I think I might explain it for the guidance of my Honourable friend also and for the information of the House. It is Madras that is not getting the full extent of what is their due. Mr. Mitra says that they have got 70 lakhs instead of 50 lakhs. So he thinks that, because they have got 20 lakhs more, they must be satisfied since they have got it as a surplus which they ought not to have got. But this is not the case. On the basis of population, the Madras area ought to have got 82 lakhs. Originally Madras was given 50 lakhs; and although I voted for the Delhi

area, I was not the less zealous in voting for the Madras area too. I also tried for this, and the Committee was only willing to give 20 lakhs more, while they ought to have given 32 lakhs more or 32 lakhs in all. The Bengal area has got its just due: they were originally given 165 lakhs, and now they are getting 145 lakhs which is absolutely on the population basis. It is the only area which is getting on the population basis. Bombay is getting more than its due share and the Rangoon area also is getting more than its due share. Rangoon ought to get only 21 lakhs, but it is being actually given 30 lakhs. Therefore, both the Rangoon area and the Bombay area are getting more at the expense of the Delhi and Madras areas. Madras is losing 12 lakhs and Delhi about 37 lakhs. If we consider that this 12 lakhs from Madras has gone to Rangoon, we have to take it that 37 lakhs of the Delhi area has gone to Bombay and nothing else.

But my friend's amendment, as it stands, that it should be divided into three portions, has got no justification, because the Calcutta area cannot suffer simply because Madras has suffered. I will not in any way advocate that Bengal should be deprived of her due share, because when I stand up here to justify a suitable allotment for my area, the Delhi area, I cannot in the same argument say that people who have got only their due share should be deprived of it. If my friend had moved that 12 lakhs more should be given to the Madras area and that it might be taken from the Rangoon or Bombay area, I should have wholeheartedly supported him, consistently with my own amendment; but unfortunately he is seeking something which will not do justice to the Bengal area; therefore, I am sorry, I cannot support that.

**Mr. A. Hoon** (Allahabad and Jhansi Divisions: Non-Muhammadan Rural): Sir, I had no intention whatever of taking part in the debate, but I find that with regard to the distribution of shares to the various provinces, a sort of inter-provincial controversy has arisen. It has been mentioned by some Members that such a controversy should not have arisen, and I also agree with that. But probably it was a very essential sort of controversy, because we have all come here to look after the interests of our various provinces. Mr. Yamin Khan raised the point with regard to the question as to what should be the proper share of the United Provinces and the Delhi area; and I was one of those who stood up to ask for a division on that point, because I thought it was my duty to bring on the records of this House that we have done our duty to our province. Now, apparently, the opinion of the House was against us and so we had to submit to it. It is now said that there were various considerations on the basis of which the share capital had been allotted to various provinces and it has also been mentioned by one of the Honourable Members that conditions of trade, population and taxation were considered, to fix the allotments, by the Select Committee.....

**Mr. Muhammad Yamin Khan:** Not at all: nothing of the sort.

**Mr. A. Hoon:** But we, who were not members of the Select Committee, are not at all aware as to what were really the considerations on the basis of which this arrangement was made. The object of inviting to take part in this debate is simply to say that we shall consider it a matter of great favour if the Honourable the Finance Member will kindly enlighten us as to what was really the basis on which these allotments were made.

**Mr. Muhammad Yamin Khan:** It was only a case of might is right.

**Diwan Bahadur A. Ramaswami Mudaliar:** Sir, this is a very simple matter, and I would not have intervened but for the fact that some confusion has been created particularly in the mind of my Honourable friend, Mr. Yamin Khan. He has not read the proviso. What it says is this: the original allotment stands, but there was a lurking suspicion in the minds of the members of the Select Committee that the 115 lakhs allotted to the Delhi area may not be digested by that area and, therefore, the proviso says, if, up to a maximum of 35 lakhs, the Delhi register is not able to absorb the share allotted to it, that amount should, in addition to the allotment that is already made to Bengal and Bombay, be further distributed between those two provinces.....

**Mr. Muhammad Yamin Khan:** For the information of my Honourable friend, I may enlighten him that the same opinion was held about the Madras area—that it may not be able to subscribe to that extent.....

**Diwan Bahadur A. Ramaswami Mudaliar:** I have not been enlightened, and I wonder whether any Member of the House has been enlightened, by the interruption of my Honourable friend. I leave it at that. My friend, Mr. Reddi, says that if this unfortunate event occurs, if the Delhi area is not able to take up all the 115 lakhs, then the balance should be equally allotted, not merely to Bombay and Calcutta, but also to Madras. He has excluded Rangoon, and the justification for that exclusion is quite simple: Honourable Members in this House must also feel that Burma has had as large an allotment as it could digest—30 lakhs—and I think it is within the recollection of Members of this House that my friend from Bombay who spoke on the subject said that 30 lakhs was all too much for Burma, and that in fact many non-Burmans would really contribute towards the share capital there.—Madrasis who were resident there, Europeans who were resident there—and that Burmans would not be able to subscribe even that 30 lakhs. It was for that reason that my friend, Mr. Reddi, did not include Rangoon. Now, I ask, what is the justification for distributing this extra amount which comes, because the province has not been able to absorb it, only to Bengal and to Bombay and not to give a portion to Madras? Three Honourable Members on the Joint Select Committee who came from Madras, Mr. Vidya Sagar Pandya and two Honourable Members of the Council of State, have appended a minute of dissent in which they say that they are dissatisfied with the share capital that has been given to Madras and with the number of Directors allotted to Madras. Therefore, it cannot be denied that Madras can really take more of that amount. We are not questioning the first allotment at all; we accept that, not because it is fair to Madras or any other province, but we must have a workable scheme; and where there has been a certain amount of agreement, it is better to stick to it whether there is justice to one province or injustice to another. But when this surplus comes in, I do not see how it inconveniences my friend from Bengal, because we are not taking anything from him: but when additional capital is to be distributed, we suggest it should be distributed to all the other registers which are able to take it up: Burma has been excluded merely because the Burmans feel that they cannot take anything more than 30 lakhs that

has been suggested. It is a very small point and I do not think the time of the House should be wasted over it. I intervened in order to make the point clear.

**Mr. Bhuput Sing:** Sir, I oppose the motion. I do not think that Madras has any just claim over the surplus of shares if there be any left after the allotment in the Delhi area. In the Joint Committee, the figures for the Delhi area were increased at the cost of Calcutta and Bombay and it is only proper that if that area is not able to digest, in the words of Mr. Mudaliar, these shares should go to those provinces from where they were snatched away. Originally Madras was given 50 lakhs: now they are getting 70 lakhs: Delhi was getting 80 lakhs and now it is getting 115 lakhs: so it is only proper that the surplus from Delhi should revert to Bombay and Calcutta. When I interrupted Mr. Yamin Khan about income-tax, he immediately laid much stress on the agriculturist interest, because he knew that the income-tax principle would go against his area and, therefore, he said that it would deprive the rural population from getting their due share. But, in fact, the capacity to purchase shares will depend largely on the trade, commerce and industry of an area. Necessarily the principle of income-tax will be a very important factor to be taken into consideration: it is only sentimental so far as agriculturists are concerned, because they are very poor people. . . . .

**Mr. Muhammad Yamin Khan:** But have we not been talking of the agriculturists all the time?

**Mr. Bhuput Sing:** We must take bare facts. The agriculturists generally are the poorest class and they have very little capacity to purchase shares. It is only the richest and the middle classes who would form the bulk of shareholders and I am considering the capacity of a province on that basis. I have nothing further to add.

**The Honourable Sir George Schuster:** My friend, Mr. Hoon, has put to me a specific question and asked what is the basis of the distribution which is contained in this scheme. It is a difficult question to answer. This scheme, as it stands in the present Bill, must be regarded as a compromise on the scheme which stood in the original Bill which was the scheme which had been accepted in 1928. I cannot carry the pedigree back any further than that. That represents in the minds of certain Honourable Members at present a sort of basic allocation, and any departure from it must be justified. . . . .

**Diwan Bahadur A. Ramaswami Mudaliar:** That scheme was accepted by whom, may I know? Does the Honourable Member mean that it was drawn up by the Government, because the House never accepted the shareholders' scheme in 1928?

**The Honourable Sir George Schuster:** Then its pedigree is still more questionable. I will accept my Honourable friend's description and call it the scheme then proposed by Government. At any rate, that was the scheme which was discussed in London and accepted in London, but before the very forceful attack of my friend, Mr. Yamin Khan, it has given way somewhat already. . . . .

**Mr. Muhammad Yamin Khan:** May I remind the Honourable Member that in London, as the scheme showed, the Delhi area was given one crore and 40 lakhs and not 80 lakhs, but because the Indian States were taken away from the Delhi area and distributed all over India, instead of one crore and 40 lakhs, the Delhi area was given 80 lakhs, but even then I did not agree, and I then pointed out that Delhi was originally given one crore and 40 lakhs, and it was given 80 lakhs only because of the redistribution of the areas, and that I would have my say in the matter in the House here.

**The Honourable Sir George Schuster:** I am sure my Honourable friend will have his say wherever the matter is discussed. Sir, my friend is a more expert genealogist than I am, and I have no doubt that he is correct, and having got 140 lakhs once on the basis of having all the Indian States included in the Delhi register, he now wants to get again 140 lakhs without them. That, as far as I can put it shortly, is the position. There was a scheme which had achieved a certain amount of agreement in London from which we started as a basis, and then it was reconsidered in the Select Committee here, and as a result of that reconsideration a certain amount of the allotments from Bombay, Rangoon, and Calcutta were taken away and added partly to Delhi and partly to Madras. We are now discussing what is to happen with any amount of its own share that Delhi cannot absorb, and inasmuch as the addition to Delhi was taken from Bombay and Calcutta, and also considering that the share of Madras was put up by further taking shares from Bombay and Calcutta, certain Honourable Members think that if there is any surplus it would not be fair that Madras should have a share in it. I think perhaps that is giving too much authority to the original basis. So far as we are concerned, we should again remain neutral in voting on this matter, but I must express the view first of all that to give the whole of that surplus to Madras would be entirely unfair, secondly that there seems to me to be no very great objection to including Madras with Bombay and Calcutta, and thirdly that I consider the question is of no practical importance, because I agree with Mr. Yamin Khan that Delhi is going to absorb the whole of its allotment. That is our position.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Does the Honourable Member press his amendment?

**Mr. T. N. Ramakrishna Reddi:** I will withdraw my first amendment. The first amendment was, by leave of the Assembly, withdrawn.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question I have now to put is—

"That in the proviso to sub-clause (5) of clause 4 of the Bill, for the words 'in two equal portions to the Bombay and the Calcutta register' the words 'in three equal portions to the Madras, Bombay and Calcutta registers' be substituted."

The motion was negatived.

The next amendment that is to be moved is by Mr. B. Das, No. 54.

**Mr. B. Das** (Orissa Division: Non-Muhammadan): Sir, I beg to move the amendment that stands in my name, namely:

"That in sub-clause (6) of clause 4 of the Bill, for the word 'five', wherever it occurs, the word 'one' be substituted."

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) vacated the Chair which was then occupied by Mr. Deputy President (Mr. Abdul Matin Chaudhury).]

Sir, I do not wish to take a long time of the House, and so I shall merely read my view which I have given in my minute of dissent pertaining to this subject.

"Our colleagues signing the majority report place sublime faith in the desirability of distributing the shares and the voting rights attached to them as widely as possible. Yet, in the same breath, they disqualify and sterilize votes of so many shareholders by providing one vote for a holder of 5 shares of Rs. 100 each which means that all shareholders holding 1 to 4 shares will have no voting power. The most democratic provision should be "one share, one vote" and "one person, one vote". Our colleagues have been more anxious for the conveniences of would-be-directors than widening the franchise."

Sir, I do not wish to say anything further, but if sub-clause (6) will satisfy the objective of sub-clause (7), then this House would be democratic enough to accept my amendment.

**Mr. Deputy President** (Mr. Abdul Matin Chaudhury): Amendment moved:

"That in sub-clause (6) of clause 4 of the Bill, for the word 'five', wherever it occurs, the word 'one' be substituted."

**Dr. Ziauddin Ahmad:** Sir, the motion before the House is that every person who has a share should also have a vote.

**The Honourable Sir George Schuster:** I really must intervene and say that that is not the motion before the House. The motion before the House is as regards a direction for the allotment of the shares and not as regards the voting on the shares.

**Mr. B. Das:** Quite so. Sub-clause (6) says that the Central Board shall allot five shares to each qualified applicant who has applied for five or more shares; while sub-clause (7) desires that allotment should be such as to ensure equitable distribution of shares and also the voting rights. So let us better make it "one share one vote".

**Dr. Ziauddin Ahmad:** The Honourable gentleman who has moved this motion said clearly that that was his intention, and I wholeheartedly give my support to this motion. In fact, the whole of clause 4 is very badly drafted, and when we come to the actual discussion of clause 4, as a whole, I shall give my reasons why I am opposed to this whole clause.

**The Honourable Sir George Schuster:** If my Honourable friend's objection merely arises on a point of drafting, I have little doubt we could meet him.

**Dr. Ziauddin Ahmad:** I am not really quibbling with words. Drafting practically belongs to the department of the gentleman who is sitting by him; it is really the picture of shareholders which we are now discussing. The intention of this motion is that the votes should not be wasted. If a large number of persons purchase these shares which are not multiples of five, then a large number of votes will be wasted. We on this side of the House lay very great stress on the point that the very object of a

[Dr. Ziauddin Ahmad.]

shareholders' scheme will be defeated if a large number of votes are concentrated in a few persons' hands or wasted. We on this side are fighting inch by inch to secure that a large number of persons should be associated as shareholders with the Bank, and that they should also have votes. On the other side, it has been provided in the Bill that the number of persons who will actually vote should be the very minimum. I would, at one stage later on, give a mathematical problem to the Finance Member and his supporters of which I will expect a solution afterwards. That is, given the provisions of this particular Bill, what is the total number of persons who will actually vote? I think this is one which the Finance Member is quite incapable of solving, and in fact, they have never visualised it in their minds. I tried to work it out, and probably, after this Bill is passed, the data will be very clear. But I think that there will not be more than 300 persons actually available to vote in a particular area. I expected that this particular problem would be solved by the Finance Department. When they brought forward the scheme for shareholders, they must also give us what the probable number of actual voters in each area will be. The question of one share one vote is a very important point. In every institution, which is popular and democratic, poor people should not be neglected. Any institution, in which you put a premium on money and a discount on poverty, cannot be called a national institution; it may be called capitalistic. I submit that those persons who really bring small sums should not be lightly treated. A comparatively poor person who has subscribed one hundred rupees has got more interest in that one share than the capitalist who puts Rs. 2,000 out of his one crore of rupees. (Mr. Vidya Sagar Pandya: "Won't they become Nimboo-Nichors?") (Sir Cowasji Jehangir: "What is that?") I prefer a large number of people subscribing small amounts, to a few big men bringing forward bigger amounts, which the P. W. D. has supplied in our houses. We want to make the institution very democratic, and I think if you really desire that the persons who have got a share should also have a little interest in it, then it is very desirable that we ought to accept this amendment. Before I sit down, I know it will not be relevant, but a charge was levied against me by Sir Cowasji Jehangir on the floor of this House, and I take this opportunity to reply to it. He asked me why I did not raise a particular question in the Reserve Bank Committee in London, about the Shareholders Bank. May I just remind him that I was not a member of that Committee? I was not even allowed to open my mouth and, on some occasions, I was really pent up so much that I suffered from stomach ache for not being able to speak out what I considered to be very vital. When I approached the Finance Member privately on one occasion, he told me that I would have plenty of opportunity to speak out when I returned to India, and that was the consolation given to me, and this is the first opportunity that I have got really to express my opinion. Before that, I had no opportunity.

**Mr. Lalchand Navsaria:** I hope you have got all right now.

**Dr. Ziauddin Ahmad:** No, not yet. A good many things are to be discussed yet. Really speaking, I was not a member of that Committee and I was not allowed to speak. I raised my voice against the Shareholders Bank *versus* the State Bank in the Lobbies. I think the charge that was levied against me was not really justified. With these few words, I very strongly support that we should fight for one man one vote.

That is the principle on which the present Constitution of India rests. When the Minto-Morley reforms were introduced, the minorities had a double vote. They took part in the general election and, at the same time, they had a second vote in having their own representation. The principle was set aside and these are the days of one man one vote. I think one man one vote is the principle we should stand by.

**Mr. S. C. Mitra:** I beg to draw, Mr. Deputy President, your attention to this that if this amendment is carried at this stage, it will make the position of the House anomalous, because there are other amendments of Mr. B. Das, Nos. 123 and 125, where he really wants to make a shareholder of Rs. 100 eligible for one vote. If that is not carried, then there will be some confusion. If we change five to one in the clause as now proposed without accepting the Mover's other amendments, the effect will be that a very large number of shares will be subscribed at the first instance when it is distributed, and, as the Bill stands, only holders of five shares will be eligible for a vote. So a vast number of shareholders will be sterilised in exercising votes and they are not eligible to vote for the election of the Directorate. If clause 9, which comes subsequently, is not altered, then Mr. B. Das himself will agree that 50 to 60 per cent at least of the subscribers will have no right to vote. So, I think it is for you to decide whether the other amendment should not be first discussed and voted upon.

**Sir Cowasji Jehangir:** This is really a consequential amendment to the amendment that is going to be moved to clause 14 (2) of the Bill. If the amendment on clause 14 (2) is carried, then naturally consequential amendments will be required to clause 4 (6). That is the position, and this might be postponed till clause 14 (2) has been voted upon. The main clause is 14 (2). All the rest are consequential and you have

4 P.M. power, as you know, to postpone the consideration of any clauses which require amendments due to an amendment that may be moved and then accepted or rejected by the House later on.

**The Honourable Sir George Schuster:** I think that my Honourable friend is perfectly correct, and that would be the logical procedure. We, of course, have no objection to that. The only suggestion that I have to make is that such part of the debate as has already taken place should be treated as part of the debate when we come to the amendments to 14 (2). My Honourable friend, Dr. Ziauddin Ahmad, is a believer in the principle of unitarianism,—one man one vote. Similarly, the rule of one man one speech should also apply.

**Mr. Deputy President (Mr. Abdul Matin Chaudhury):** Further discussion on this amendment is held over. We now come to the amendment\* of Mr. Sitakanta Mahapatra.

**Diwan Bahadur A. Ramaswami Mudaliar:** That is unnecessary now in view of the Committee of the House which has been accepted with reference to this publicity.

\*That to sub-clause (7) of clause 4 of the Bill, the following proviso be added : Provided that the widest publicity possible shall be given to the notices inviting applications for purchasing shares in the rural areas and sufficient time shall be allowed to intending purchasers of shares from these areas to make up their minds."

**Mr. Deputy President (Mr. Abdul Matin Chaudhury):** Does the Honourable Member want to move his amendment in view of the acceptance by the Government of the proposal about wider publicity by associating two Members of the Assembly with the Central Board?

**Mr. Sitakanta Mahapatra:** I want an assurance from the Honourable the Finance Member on that. That is why I want to move it.

**The Honourable Sir George Schuster:** I do suggest to my Honourable friend that it is unnecessary to proceed with this matter. So far as we are concerned, we have accepted a recommendation in the Committee's report that the widest publicity possible should be given to the notice inviting applications for shares. We have now agreed that a Committee of the Legislature should be associated with the Board for looking after that matter and I would put it to my Honourable friend that it seems hardly necessary to go so far as to include a statutory provision on this point.

**Mr. Sitakanta Mahapatra:** In view of the assurance given, I beg leave of the House to withdraw my amendment.

**Mr. Deputy President (Mr. Abdul Matin Chaudhury):** The Honourable Member has not moved it. The next amendment stands in the name of Dr. Ziauddin Ahmad, Supplementary List, No. 4.

**Dr. Ziauddin Ahmad:** I do not want to make a speech on this particular question. We have already had speeches on this topic . . . .

**The Honourable Sir George Schuster:** On a point of order. I submit that this is a mere repetition of the amendment which was discussed yesterday and which was rejected by a majority of the House.

**Dr. Ziauddin Ahmad:** May I say something on this? The other day we discussed only one aspect, that is that no person should be allowed more than 200 shares, and if the House rejected 200 shares, it really means it would reject any number below 200. So this thing does not preclude from discussing a higher limit. The question that was discussed was not whether the maximum limit should be placed or not, but the question was whether 200 is an appropriate maximum limit, and we are entitled to discuss a limit over 200, and the second question is that this amendment of mine affects not only the subsequent share, but also the shares at the time of the first allotment.

**Mr. Deputy President (Mr. Abdul Matin Chaudhury):** Dr. Ziauddin is correct in his contention. What the House rejected last time was that not more than 200 shares should be allowed to one person. He wants to fix a higher limit of 250 and, therefore, the amendment is in order.

**Sir Lancelot Graham (Secretary, Legislative Department):** Your ruling then would enable the Members to go on increasing the maximum allotment by five each time?

**Mr. S. C. Mitra:** After the ruling has been given, has anybody the right to challenge the ruling of the Chair.

**Sir Lancelot Graham:** On a point of notice. We must take objection on every possible ground. Notice of two days is required for amendments. This notice was handed in yesterday afternoon after the main question had been voted upon. This is really an attempt to get a second division on the same point. We must take every possible objection.

**Mr. Deputy President** (Mr. Abdul Matin Chaudhry): It is within the discretion of the Chair to allow amendments to be moved even when sufficient notice is not given. Dr. Ziauddin Ahmad will move his amendment.

**Dr. Ziauddin Ahmad:** Sir, I beg to move:

"That after sub-clause (7) of clause 4 of the Bill, the following new sub-clause be inserted and the subsequent sub-clauses be re-numbered accordingly :

'(8) No person shall be allowed to have more than 250 shares at the time of first allotment or at any subsequent time'."

In moving this amendment, I should like to say that our intention, which is really a very honest intention, is that votes should not be blocked. We should not like that one person should be able to take a very large number of shares, and 250 is practically the maximum which one person should be allowed to have. If this institution is to be a democratic institution, then more chances should be given to a larger number of persons to exercise the right of votes and not concentrate the thing in a few persons. We are establishing a Bank for the people of India and not for the capitalists of the world. With these words, I beg to move my motion.

**Mr. Deputy President** (Mr. Abdul Matin Chaudhry): Amendment moved:

"That after sub-clause (7) of clause 4 of the Bill, the following new sub-clause be inserted and the subsequent sub-clauses be re-numbered accordingly :

'(8) No person shall be allowed to have more than 250 shares at the time of first allotment or at any subsequent time'."

This motion has been sufficiently discussed.

**The Honourable Sir George Schuster:** Sir, your remark that this measure has been sufficiently discussed substantiates the point which I took just now. I agree with you, Sir, that the matter has been sufficiently discussed. I have nothing to add to what I said on a motion which for all practical purposes would have had identically the same effect as this one, and on which I spoke yesterday. We must oppose this amendment on the grounds that I explained yesterday.

[At this stage, Mr. President (the Honourable Sir Shanmukham Chetty) resumed the Chair.]

**Mr. F. E. James:** Before you put that question, Sir, may I ask your advice on one matter? If this particular motion is rejected by the House, before clause 4 is put finally, will it be in order for anyone to submit an amendment suggesting that no person should be allowed to have more than 300 or more shares?

**Mr. S. O. Mitra:** May I draw your attention, Sir, to the fact that that point has already been decided by Mr. Deputy President?

**Mr. F. E. James:** I am really asking for future guidance.

**Mr. President** (The Honourable Sir Shanmukham Chetty): It would not be in order because this particular sub-clause would have been finished. According to the point of order on which, it is understood, a ruling was given by Mr. Deputy President, this has been held to be in order. The question is:

"That after sub-clause (7) of clause 4 of the Bill the following new sub-clause be inserted and the subsequent sub-clauses be re-numbered accordingly:

'(8) No person shall be allowed to have more than 250 shares at the time of first allotment or at any subsequent time'."

The Assembly divided:

AYES—28.

Abdul Matin Chaudhury, Mr.  
Azhar Ali, Mr. Muhammad,  
Bhuput Sing, Mr.  
Das, Mr. B.  
Hoon, Mr. A.  
Jadhav, Mr. B. V.  
Lalchand Navalrai, Mr.  
Liladhar Chaudhury, Seth.  
Mahapatra, Mr. Sitakanta.  
Maswood Ahmad, Mr. M.  
Mitra, Mr. S. C.  
Mudaliar, Diwan Bahadur A.  
Ramaswami.  
Neogy, Mr. K. C.  
Pandya, Mr. Vidyasagar.

NOES—63.

Abdul Aziz, Khan Bahadur Mian.  
Ahmad Nawaz Khan, Major Nawab.  
Anklesaria, Mr. N. N.  
Anwar-ul-Azim, Mr. Muhammad.  
Ayangar, Mr. V. K. A. Aravamudha.  
Bagla, Lal Rameshwar Prasad.  
Bajpai, Mr. G. S.  
Bhore, The Honourable Sir Joseph  
Bower, Mr. E. H. M.  
Brij Kishore, Rai Bahadur Lala.  
Chatarji, Mr. J. M.  
Clow, Mr. A. G.  
Cox, Mr. A. R.  
Dalal, Dr. R. D.  
Dash, Mr. A. J.  
DeSouza, Dr. F. X.  
Dillon, Mr. W.  
Graham, Sir Lancelot.  
Grantham, Mr. S. G.  
Haig, The Honourable Sir Harry.  
Hezlett, Mr. J.  
Hudson, Sir Leslie.  
Ismail Ali Khan, Kunwar Hajee.  
James, Mr. F. E.  
Jawahar Singh, Sardar Bahadur  
Sardar.  
Jehangir, Sir Cowasji.  
Lal Chand, Hon. Captain Rao  
Bahadur Chaudhri.  
Lee, Mr. D. J. N.  
Mackenzie, Mr. R. T. H.  
Macmillan, Mr. A. M.  
Metcalfe, Mr. H. A. F.  
Millar, Mr. E. S.

Parma Nand, Bhai.  
Patil, Rao Bahadur B. L.  
Puri, Mr. B. R.  
Reddi, Mr. P. G.  
Reddi, Mr. T. N. Ramakrishna.  
Sant Singh, Sardar.  
Sen, Mr. S. C.  
Shafee Dadodi, Maulvi Muhammad.  
Shah Nawaz, Mian Muhammad.  
Singh, Mr. Gaya Prasad  
Sitaramaraju, Mr. B.  
Thampan, Mr. K. P.  
Uppi Saheb Bahadur, Mr.  
Ziauddin Ahmad, Dr.

Milligan, Mr. J. A.  
Mitter, The Honourable Sir Brojendra.  
Mody, Mr. H. P.  
Morgan, Mr. G.  
Mujumdar, Sardar G. N.  
Mukherjee, Rai Bahadur S. C.  
Nihal Singh, Sardar.  
Noyce, The Honourable Sir Frank.  
O'Sullivan, Mr. D. N.  
Pandit, Rao Bahadur S. R.  
Puri, Mr. Goswami M. R.  
Rafisuddin Ahmad, Khan Bahadur  
Maulvi.  
Raghbir Singh, Rai Bahadur  
Kunwar.  
Raismann, Mr. A.  
Rajah, Raja Sir Vasudeva.  
Rajah, Rao Bahadur M. C.  
Ramakrishna, Mr. V.  
Rau, Mr. P. R.  
Sarma, Mr. R. S.  
Schuster, The Honourable Sir George.  
Scott, Mr. J. Ramsay.  
Singh, Kumar Gupteshwar Prasad.  
Singh, Mr. Pradyumna Prashad.  
Sinha, Rai Bahadur Madan Mohan.  
Smith, Mr. R.  
Soham Singh, Sirdar.  
Studd, Mr. E.  
Subrawardy, Sir Abdulla-al-Mamun.  
Tottenham, Mr. G. R. F.  
Wilayatullah, Khan Bahadur H. M.  
Yamin Khan, Mr. Muhammad.

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Order, order. The Chair would remind Honourable Members of one procedure which has been made clear to the House by its predecessors in the past. It is not the duty of the Chair to call any Honourable Member to move his amendment. The Chair can pass over amendments if it thinks that they are not in order. It is the duty of the Honourable Members to be looking at the agenda paper and, in their time, to get up and ask for the leave of the Chair to move those amendments. If the Honourable Members expect the Chair to say what the next number of the amendment to be moved is and then the Honourable Members are to search their order papers, that is not the proper procedure.

**Sir Cowasji Jehangir:** I quite agree, Sir, that it is the duty of Honourable Members here to watch their amendments, but, then, I do think, Sir, that the amendments should be placed in the hands of Honourable Members in a manner and in a form in which they may be able to find them readily. I find that there are no less than five different sets of amendments and it is impossible to pick out any particular amendment at once. Under those circumstances, I trust, although your orders will be obeyed implicitly on this side of the House, that you will allow us a little more latitude to find out where the amendments are. Give us five minutes on each occasion to find out where the amendment is on the order paper.

**Mr. President** (The Honourable Sir Shanmukham Chetty): If only the Leader of the Opposition had taken the trouble to find out what the office has done and how the Honourable Members—some of them—have responded to it, the Honourable Member would not have made that speech. Honourable Members, in spite of the fact that the Bill has been before them for days together, are handing in amendments at every moment even when the House is sitting. Notwithstanding all this pressure of work and the new procedure that has been evolved by the office, office has been trying its very best to consolidate the amendments and supply the Honourable Members a consolidated list. A consolidated list was given yesterday evening from clauses 1 to 19 and this morning an Honourable Member comes in and hands in an amendment to clause 4. May I ask the Leader of the Opposition how that is to be consolidated?

**Mr. S. C. Mitra:** We appreciate the difficult position of the office, but you will also appreciate the position of the Members on this side of the House. Things are developing every day and nobody knows what will be accepted by Government and, if the amendments are not sent in time, you, as President, can disallow it. You must appreciate our difficulty also. When we have got five lists of amendments and if we cannot get at the amendment to be moved at once, if we are late by 30 seconds, you should not take that fact into consideration.

**Dr. Ziauddin Ahmad:** I quite appreciate the enormous work which the office has done. At the same time, I request you that you may also realise the difficulties that we have to contend with. We have got neither the clerks nor offices. So, it will serve a useful purpose if the order in which these amendments are to be moved is called by the Chair or given to us in the arranged form as it is given to you, Sir. It is very difficult for us to prepare a list, unassisted as we are by any clerks or office.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Order, order: Next amendment. Amendment No. 57 of the main list.

**Dr. Ziauddin Ahmad:** Sir, I beg to move:

"That sub-clause (8) of clause 4 of the Bill be omitted and consequential amendments be made accordingly."

**Mr. President** (The Honourable Sir Shanmukham Chetty): Does the Honourable Member realise that that amendment is vague? What are the consequential amendments to be made? I must point out that this is a typical case in which Honourable Members must exercise a little more care in giving notice of amendments. The notice of this amendment was originally given by the Honourable Member, Mr. Vidya Sagar Pandya, and the Chair thinks that this amendment is consequential on a State Bank scheme being adopted. Now, the Honourable Member, Dr. Ziauddin Ahmad, even after the State Bank scheme was defeated, simply sends in notice of all the amendments that stood in Mr. Pandya's name. Yesterday the House was faced with one amendment of this nature, namely, 7½ crores, while the House had passed five crores. It is hoped, Honourable Members will realise the difficulty of the Chair when it is faced with a situation of this nature.

**Dr. Ziauddin Ahmad:** I said very clearly that we have accepted the defeat on the question of the State Bank *versus* the Shareholders Bank, and all our discussions now are on the basis of a Shareholders Bank. The object of this particular motion is that persons who are really *bond fide* possessors of shares should be elected alone and that Government should not act in a manner in which large shareholders will act.

**Mr. President** (The Honourable Sir Shanmukham Chetty): If that is the object of the amendment, then the amendment, as it is worded, is vague, because it does not say what consequential amendments are to be made. The Honourable Member cannot simply say in an amendment: Make this amendment and then make the consequential amendment. By taking away this allotment of the 2½ lakhs of shares, as is proposed to be done, who is to make the consequential amendment? No consequential amendments are on the Order Paper. Will the Honourable Member say what are his consequential amendments if the House accepts his amendment?

**Mr. Vidya Sagar Pandya:** Sub-clauses (10) and (11) will go out.

**Dr. Ziauddin Ahmad:** I will just continue this thing. The object of this amendment, as I understand it, is that we do not want to have a certain number of shares in the hands of the Government which they may allot to the person who is elected as a Director. Our intention is that a person, who is really in possession of shares in a *bond fide* manner, should be elected as a Director. But a person who does not possess a sufficient number of shares should not be allowed to get a certain number of shares from the Government in order to be qualified to act as a Director. That is the whole intention of this amendment. If this principle is accepted, then the other amendments will naturally fall to the ground.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member has not answered the question put by the Chair. Will the

Honourable Member please point out what are the consequential amendments that stand in his name or in the name of any other Honourable Member which deal with the question as to what is to be done with these shares worth 2½ lakhs of rupees?

**Mr. Muhammad Yamin Khan:** I think the consequential amendment that is proposed is this. If sub-clause (8) goes away, then the order of the other sub-clauses will be changed. That is the idea.

**Mr. President** (The Honourable Sir Shanmukham Chetty): In that case, the Honourable Member will allow the 2½ lakhs worth of shares to remain unallotted to any register.

**Mr. Vidya Sagar Pandya:** They will be disposed of in the same way as any other shares which are left in the hands of Government.

**Diwan Bahadur A. Ramaswami Mudaliar:** Sub-clause (8) says that, notwithstanding anything contained in sub-sections (6) and (7), the Government shall retain 2½ lakhs. If the whole of that sub-clause goes, then there would be no retention of 2½ lakhs, because 2½ lakhs has not already been reserved under any previous sub-clause. This sub-clause says that notwithstanding the scheme of allotment of the entire amount on the various registers, this sum of 2½ lakhs will be retained under this sub-clause. Therefore, if this sub-clause goes the Honourable Member is incorrect in saying that any consequential amendments are necessary at all.

**The Honourable Sir George Schuster:** I think my Honourable friend who has just spoken is also incorrect, because one consequential amendment will be the omission of sub-clause (11) and sub-clause (10).

**Mr. B. V. Jadhav** (Bombay Central Division: Non-Muhammadan Rural): As the Bill emerged from the Select Committee, all the shares of five crores have been allotted to the different registers and no provision has been made for reserving these 2½ lakhs.

**Mr. S. C. Mitra:** We are getting it now under the proviso which is being discussed.

**Mr. B. V. Jadhav:** It shall have to be provided from what register it has to be taken.

**Dr. Ziauddin Ahmad:** As I said just now, I am not raising the issue of the State Bank *versus* the Shareholders Bank. I admit that the future Bank will be, according to the decision of the House, a Shareholders Bank and a Shareholders Bank alone, and now my intention is that the Government in an indirect manner should not come forward and purchase these shares for themselves, when according to their own principle they do not want to step in. We wanted the Government to step in and purchase all the five crores, but by a majority the House defeated that motion. I want that the Government should stick to the principle. I cannot understand the object underlying the action of Government in acquiring these shares. The intention of the Government, as is evident from the subsequent clauses, is to help a Director who is not qualified by virtue of his

[Dr. Ziauddin Ahmad.]

holding smaller number of shares. Why should Government help a particular individual in this manner? A person who is a candidate for directorship should have sufficient interest in the bank and should have enough number of shares to qualify him to become a Director. I think it is not correct that Government should help a man who is not qualified to become a Director. Perhaps the Government are contemplating to help a person who may have just arrived from England and may not have sufficient number of shares and is not in a position to purchase them, because they may not have been available and, I submit, if the Government wish to be consistent, it is necessary that they should keep themselves aloof. On the one side, the Government say that they wash off their hands from purchasing shares in the Bank which we on this side of the House insisted that they should do; and, now, on the other side, the Government want to possess some shares in order that they may oblige certain person who may become a Director and who may not have the requisite qualification. That is a position which requires some explanation, because it is not consistent with what the Honourable the Finance Member has been giving us to understand all the time. Sir, I move.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That sub-clause (8) of clause 4 of the Bill be omitted and consequential amendments be made accordingly."

**Mr. Vidya Sagar Pandya:** Sir, I had no intention of taking any part in these proceedings in the light of what I had said a couple of days before, but as this is an amendment which has been given notice of by me and adopted by the Honourable Dr. Ziauddin, I should like to explain the object of this amendment in a few words. In all banking institutions in this world, there is not a single bank, either State or private-owned, in which the shares are specially reserved for the Directors in the way it is done in this Bill. If the shares stand at a premium, the gentlemen who are anxious to become Directors must pay the premium for it and become Directors. Take the case of the Imperial Bank where the shares, which are of nominal values of Rs. 500, are sold in the market for Rs. 1,500 and had even gone over Rs. 2,000 sometimes. If a person cares to be a Director, he must be prepared to pay the premium. Supposing, as is contemplated in the Bill, there is liquidation of the Reserve Bank, which God forbid, the shares of the Reserve Bank will go down to the bottom. Will Government then make good the amount to these Directors and pay, out of public revenue, the money towards the loss of value in these shares? They are bound, under these clauses, to recoup the Directors and pay back to them at the face value while the shares will stand at a discount. As such, the persons who wish to come in as Directors must be prepared to take the shares from the market and pay the necessary premium, and Government should not reserve any shares for them as is sought to be done in this Bill.

**The Honourable Sir George Schuster:** I should like to intervene at this early moment in order to explain the position to the House. This is not a clause to which we attach any particular importance. It is not part of the devilish machinations of this Government. It was, I think, evolved by the Members of the Joint Select Committee with our co-operation and

sympathy and, on the whole, I think it is a very good clause and, therefore, we support it. The matter arose in this way. There was a question of what the qualification shares for a Director should be. A good many Honourable Members of the Select Committee thought that the qualification should not be so high as to make it difficult for a man, who did not happen to be a wealthy capitalist, to become a member of the Central Board or one of the Local Boards. It was represented by one of the members that it might be difficult for a man who wished to go on a Local Board or the Central Board to buy up the necessary five thousand rupees shares in the market and, therefore, in order to meet that difficulty, we—I do not know whether it was on our side, or whether it came from the unofficial members of the Committee,—the suggestion anyhow was made that the Government—should keep a certain amount of shares in reserve available for issuing as the qualification shares to any Director who found it difficult to buy these shares in the market. That seems to us to be a reasonable provision. It may be, as my Honourable friend has said, an unusual provision, but this is a very unusual form of company, and Government will be interested in seeing that the best possible Directors are available. My Honourable friend, Dr. Ziauddin Ahmad, seemed to contemplate that if things went right and in the proper way, nobody should be appointed as a Director who did not already hold enough shares to qualify him for that post. That is not the way these things work. It very often happens that a man stands for directorship, but he does not hold any shares in the company at the time when he stands or when he is elected and then he has to go into the open market and buy his qualification shares. This clause is merely intended to facilitate that operation in a way which will cost the Government nothing but which will make it easier for deserving men who are elected on the Board to buy up their qualification shares.

**Mr. S. C. Mitra:** I think we owe it to this House, and particularly I am duly bound to state that it was at our instance that this clause was accepted by Government and we are grateful to Government for accepting it. Because we thought that intelligence is not confined to the rich men alone, that there may be average middle class men who may have the suffrage of a very large class of people, because these Directors will be elected by thousands of men. Why should we think that the man, whom these thousands of electors will choose, who is not very rich and who is already holding a sufficient number of bank shares, will be an unworthy man. It was from that consideration, to give a wider latitude to an intelligent man who may not be very rich to have in his pocket thousands of shares of the Reserve Bank and the opportunity, that we suggested to Government, in the interest of the intelligentia, that they should make some provision that such a Director can purchase shares at par from the Government; and when they retire, they will, under compulsion, sell those shares out to Government, so that, in case of any eventuality in the future, another man may get similar chances. I really wonder if there are no other instances, in other State Banks. But, in a poor country like India, there should certainly be such a salutary provision.

**Mr. B. V. Jadhav:** Sir, I rise to oppose the amendment. The provision made in sub-clause (8) is a very necessary provision, because we see that when allotting shares certain provisions have been made that those who have applied for five shares or more will be allotted five shares

[Mr. B. V. Jadhav.]

in the first instance. So, if there are about 28 thousand applicants in the Bombay Presidency, the number of shares each one will get will be only five shares. And, in that way, nobody will be qualified to stand as a Director. And if he is obliged to purchase shares in the market in order to qualify himself as a Director, he will have sometimes to pay fancy prices, because he will be in office and, therefore, this provision of the shares in the hands of Government is very necessary. Of course it reduces the qualification of a Director nominally, because then it is not the possession of shares worth Rs. 5,000, but it is his ability to bring forth Rs. 5,000 after his election. However, if the electors like that man and have confidence in him, there is no reason why he should not be elected a Director and why Government should not help him in possessing the requisite qualification. Sir, I oppose this amendment.

**Sir Cowasji Jehagnir:** Sir, this is just one of those instances where my Honourable friends do not give credit to the members of the Select Committee, who are their own men, for common sense and for having done their work to the best of their ability. This was an amendment suggested by my friend, Mr. Mitra,—I think he was too modest to tell the House,—in the interest of the poorer shareholders who may be elected by the shareholders to represent them on the Local Boards. And a man may not have Rs. 20,000 in his pocket, but still, as Mr. Mitra said, may have the brains and the ability to serve not only this Bank, but, after all, his country, through this Bank. And this provision, therefore, exceptional as it is, was made in the interest of the poorer shareholders of the Bank; and, therefore, this criticism, as my friends, Mr. Mitra and Mr. Jadhav, said, was rather unnecessary, and I only rise to point out to my Honourable friends that if they would only ask the members of the Select Committee for the reasons they had for having made several of these provisions in the Bill, there would be much less discussion and we would remain in this House just as happy a family as we were in the Select Committee.

**Dr. Ziauddin Ahmad:** The motion was moved by a member of the Committee.

**Sir Cowasji Jehangir:** I should like to say in reply to that that the member of the Select Committee was absent on the day this provision was suggested in the Bill.

**Mr. N. N. Anklesaria:** Was not Mr. Pandya present in the Select Committee discussions?

**Sir Cowasji Jehangir:** He was not well and it was not his fault that he was absent. He was not keeping good health and it is a great credit to him that he should have been in the Select Committee notwithstanding being really ill; and I can understand his having moved this amendment, because he was not present to understand the reasons. That being the position, I would just like to point one thing to the Honourable the Finance Member. It came from Mr. Jadhav and I just noticed it. I see that the allotment of shares in clause 5 comes to exactly five crores. Does this mean that these 2½ lakhs must have to come out of that five crores somehow? What is the idea?

**The Honourable Sir George Schuster:** These shares, that are reserved by Government for this kind of allotment, will of course be on certain area registers. They will not be kept outside of the area registers. They will be reserved for allocation to the various areas.

**Sir Cowasji Jehangir:** Is it the idea that from the various areas you will take out a certain amount which *in toto* will come to 2½ lakhs?

**The Honourable Sir George Schuster:** They will not be taken out of the area registers. They will be part of the allocation to each area register. Each Director, who requires to acquire qualification shares, must come from one area or another, and therefore, there is no need to treat this as something additional to the five crores mentioned in sub-clause (5).

**Mr. President** (The Honourable Sir Shanmukham Chetty): That means that there will be pro-rata allotment to Government which will hold these shares in the respective registers.

**Sir Cowasji Jehangir:** If that is so, I want the Finance Member to consider this that there should be some provision to this effect that a pro-rata allotment should first be made to Government before the shares are handed over to the Central Board for allotment to the general public. I think some provision might have to be made.

**The Honourable Sir George Schuster:** That was the intention. The amount that is put in this clause is calculated so as to give what is necessary to cover all the Directors. Now, in each area, there will be a certain number of Directors included in the Local Boards or in the Central Board. Therefore, there will be a pro-rata allotment to Government from the various area registers.

**Sir Cowasji Jehangir:** My Honourable friend will see that he allotted 140 lakhs to Bombay. If the whole of the 140 lakhs are allotted to the public, what will there be left to Government for allotment for this purpose? You will have to give less to the public than 140 lakhs in Bombay. Some provision should be made for that.

**The Honourable Sir George Schuster:** My Honourable friend is quite correct, but the figures, that are given in sub-clause (5), are:

"The nominal value of the shares assigned to the various registers shall be as follows" etc.

The words are not:

"offered to the public"

but

"assigned to the various registers."

**Sir Cowasji Jehangir:** If my Honourable friend is satisfied that this will carry out the purpose that we have in view in clauses 8, 9, 10 and 11, I have nothing more to say.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That sub-clause (8) of clause 4 of the Bill be omitted and consequential amendments be made accordingly."

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): That disposes of all the amendments to clause 4, but there are two matters that were held over. One is relating to amendment No. 54\* moved by Mr. B. Das and the other is amendment No. 86† moved by Mr. Thampan. It is not, therefore, possible for the Chair to put the question on clause 4 today, and so clause 4 will have to be held in abeyance.

The Assembly then adjourned till Eleven of the Clock on Saturday, the 9th December, 1933.

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\*"That in sub-clause (6) of clause 4 of the Bill, for the word 'five' wherever it occurs, the word 'one' be substituted."

†"That in sub-clause (3) (c) of clause 4 of the Bill, after the words 'a company', in the first line, the words 'having 75 per cent. of its capital held by persons qualified under (a) and (b) above and' be inserted."

## **LEGISLATIVE ASSEMBLY.**

**Saturday, 9th December, 1933.**

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

### **MEMBER SWORN.**

**Mr. Chaudal Madhavlal Trivedi, O.B.E., M.L.A. (Government of India: Nominated Official).**

### **THE RESERVE BANK OF INDIA BILL.**

**Mr. President** (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of the Reserve Bank of India Bill. The question is:

"That clause 5 stand part of the Bill."

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): Sir, there are two amendments which stand in my name, and these perhaps go together, and if you will permit me, I will refer to both these motions together in my speech, and it might also save the time of the House and save me the trouble of making two speeches. Sir, in the list . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): Will the Honourable Member first move his amendment?

**Dr. Ziauddin Ahmad**: Yes, Sir; I will first move amendment No. 68. It is this:

"That for sub-clause (1) of clause 5 of the Bill, the following be substituted :

"(1) The share capital of the Bank may be increased or reduced on the recommendation of the Central Board, with the previous sanction of the Governor General in Council and with the approval of the Central Legislature to such extent and in such manner as may be determined by the Bank in General Meeting."

Sir, if we turn to clause 5 of the Bill, we find that sub-clause (1) deals with the increase of capital, and there we find that the approval of the Central Legislature is necessary; but there is no reference made to the shareholders at the General Meetings. When we come to sub-clause (5), we find that the share capital can be reduced without any reference to the Central Legislature. Now, there are four important parties in the administration who should deal with the increase or decrease in the share capital of the Bank. In the first place, the thing should be initiated by the Central Board, because they are the proper persons to look after the interests of the Bank. If they approve, then the matter should be referred to the

[Dr. Ziauddin Ahmad.] General Meeting of the shareholders, because, after all, in a matter of increase and decrease of share capital, the shareholders have very great interest. Then, if the General Meeting approves the proposal, the matter should be referred to the Government, and, if the Government also approve, then the matter should be referred to the Central Legislature which should have the final voice. It will be unfair to this Legislature to give this power to another body. The Central Legislature only, Sir, should be the final authority to decide the increase or decrease in the capital of this Bank. Secondly, the shareholders are a body of persons who are intimately concerned in the increase or decrease of the capital, and to overlook them either in one case or in the other would be very unfair to them. My distinguished friends on the opposite Benches have been great champions of the shareholders, they wanted to safeguard their interests right and left, but in this very important matter in which the shareholders are vitally interested in respect of any change in the capital of the Bank, their interests are entirely overlooked. The Honourable the Finance Member must have seen all the Acts of all the Reserve Banks in the world, but today I have got a present for him, which I cannot give him just now, and in this we have got . . . .

**Mr. Gaya Prasad Singh** (Muzaffarpur cum Champaran; Non-Muhammadan): Please hold it up.

(Dr. Ziauddin Ahmad at this stage held up a bundle of books and papers.)

**Dr. Ziauddin Ahmad:** . . . . and in this we have got copies of all the Acts of all the Reserve Banks in the world . . . .

**The Honourable Sir George Schuster** (Finance Member): I don't think it is necessary for my friend to go through all these Acts. I may perhaps tell him at once that we see no particular objection to this proposal. It is much more logical than the proposal in the clause as it stands before the House. We should not object to it at all. We are quite prepared to accept the Honourable Member's amendment.

**Dr. Ziauddin Ahmad:** If the Honourable Member is prepared to accept my amendment, then it will save me the trouble of making a speech and I simply move my amendment and sit down.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That for sub-clause (1) of clause 5 of the Bill, the following be substituted :

'(1) The share capital of the Bank may be increased or reduced on the recommendation of the Central Board, with the previous sanction of the Governor General in Council and with the approval of the Central Legislature to such extent and in such manner as may be determined by the Bank in General Meeting'."

**The Honourable Sir George Schuster:** Sir, as I have already stated, I am quite prepared to accept my Honourable friend's amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That for sub-clause (1) of clause 5 of the Bill, the following be substituted:

(1) 'The share capital of the Bank may be increased or reduced on the recommendation of the Central Board, with the previous sanction of the Governor General in Council and with the approval of the Central Legislature to such extent and in such manner as may be determined by the Bank in General Meeting.'"

The motion was adopted.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The next one is a consequential amendment. Will the Honourable Member move it?

**Dr. Ziauddin Ahmad**: Sir, I beg to move:

"That sub-clause (5) of clause 5 of the Bill be omitted."

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That sub-clause (5) of clause 5 of the Bill be omitted."

The motion was adopted.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 5, as amended, stand part of the Bill."

The motion was adopted.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 6 stand part of the Bill."

The House now comes to amendment No. 65. Mr. Thampan.

**Dr. Ziauddin Ahmad**: May I make a suggestion to you, Sir. There are three particular groups, and if we have a discussion on one group together, it will save time; for example, Nos. 65, 66, 69, 70, and, in the supplementary list, Nos. 1, 2, 4 and 5, all these amendments refer to opening branches at Cawnpore, Lahore and so on, all these may be taken together

**Mr. President** (The Honourable Sir Shanmukham Chetty): All these amendments, Nos. 65 and 66 under the Consolidated List, and No. 69, and then Nos. 1 and 2 in the Supplementary List and No. 3, are the same, and, therefore, if No. 65 is disposed of, all the others will automatically go.

**Dr. Ziauddin Ahmad**: No, Sir, because somebody suggests Cawnpore alone, while another Honourable Member suggests Karachi alone

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair finds only two different groups, one wanting Karachi, Lahore and Cawnpore, and the other amendment of Mr. Lalchand Navalrai wants Karachi

[Mr. President.]

alone. Therefore, what the Chair proposes to do is to first ask Mr. Thampan to move No. 65, and then it will ask Mr. Lalchand Navalrai to move his amendment which is in Supplementary List No. 4. Then there will be a comprehensive discussion, and the voting will be taken on each amendment.

**Mr. K. P. Thampan** (West Coast and Nilgiris: Non-Muhammadan Rural): Sir, I beg to move:

"That in clause 6 of the Bill, after the word 'Madras' the words 'Karachi, Lahore, Cawnpore' be inserted."

The clause, as now drafted, provides for having offices only at Bombay, Calcutta, Delhi, Madras and Rangoon. Everybody knows that even now there are currency offices at Karachi, Lahore and Cawnpore, and, as the proposal is to hand over the currency department to the Reserve Bank, it is desirable that the whole establishment at these places should be transferred to the Reserve Bank and maintain those offices. If those offices are closed, the Imperial Bank will have to look after the work of the Reserve Bank there as agents of the Reserve Bank. I am told that the commission to the Imperial Bank for the agency at one branch, for instance, the one at Lahore, will alone come to about a lakh of rupees, and there is no need to give this one lakh to the Imperial Bank. The Reserve Bank may as well conduct its own affairs without entrusting it to anybody else. I find that there are other amendments to open branches at all these places by Members coming from those places. Mine is a comprehensive one, and I am confident that Members coming from those places will strengthen my hands by giving sufficient reasons for the adoption of this motion.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in clause 6 of the Bill, after the word 'Madras' the words 'Karachi, Lahore, Cawnpore' be inserted."

**Mr. Lalchand Navalrai** (Sind: Non-Muhammadan Rural): Sir, I move:

"That in clause 6 of the Bill, for the words 'and Rangoon' the words 'Rangoon and Karachi' be substituted."

My object is that there should be an office in Karachi. At present we find that the offices that have been contemplated by this Bill are to be established at Bombay, Calcutta, Rangoon and Madras. These are four ports, and the Karachi port is no less a port than these ones. In some respects this port, I should say, is superior to even Bombay. At present this is an international port, and there is also internal trade with Lahore, Cawnpore, Delhi and other places. We are asking for direct communication from Karachi to Cawnpore. Under these circumstances, I find Karachi has superior claim. Karachi has already a currency office, and to have an issue office of the Reserve Bank and to have an agency of the Imperial Bank are two different things, and I think that it would be inconvenient for people in Karachi. So far as the agency of the Imperial Bank is concerned, I regret I have to say that it has not fulfilled the expectations of Karachi and the people there are not satisfied with that agency. I hope, therefore, that the House will agree to this amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Further amendment moved:

"That in clause 6 of the Bill, for the words 'and Rangoon' the words 'Rangoon and Karachi' be substituted."

Does Rai Bahadur Lala Brij Kishore want to move the amendment in which he wants to add only Cawnpore—Supplementary List No. 3?

**Rai Bahadur Lala Brij Kishore** (Lucknow Division: Non-Muhammadan Rural): Sir, I beg to move:

"That in clause 6 of the Bill after the word 'Rangoon' the word 'Cawnpore' be inserted."

Cawnpore at present is one of the most important trading centres in Upper India. It has already got an Issue Department and it possesses strong rooms for the safe custody of the Reserve. The present organisation can easily be changed into an office of the Reserve Bank with a little additional cost. Sir, the United Provinces is one of the most important agricultural provinces and its interests are made subservient to the interests of capitalists. I would have very much preferred that a Local Board might be established in the United Provinces and that it should have the power to nominate a Director for the Central Board, but I do not demand it in the present amendment.

My request is a very limited one, and I only wish that the Reserve Bank in Cawnpore should carry on its transactions through its own office and not through the agency of the Imperial Bank. The change will not cost any appreciable amount; on the other hand, it will give an impetus to the trade at Cawnpore and will give satisfaction to the people of the United Provinces.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Further amendment moved:

"That in clause 6 of the Bill after the word 'Rangoon' the word 'Cawnpore' be inserted."

**Mr. D. N. O'Sullivan** (Bombay: European): Sir, I wish to say a word or two in favour of the amendment of my Honourable and learned friend, Mr. Lalchand Navalrai. I feel that the case of Karachi stands on a somewhat different footing from the inland towns,—Lahore, Cawnpore, and other places. I do not support my friend in any spirit of local patriotism, but in the genuine belief that the case of Karachi,—I won't say has gone by default—has not received that due consideration which it might have received from the Select Committee. When I say the case of Karachi, I mean the case of Karachi for an office of the Reserve Bank and particularly in its relation to the buying and selling of sterling covered by clauses 40 and 41 of the Bill. Exactly the same necessity exists at Karachi for the statutory obligation to buy and sell sterling as at Bombay, or Rangoon, or Madras. I presume that one of the underlying intentions of clause 6 is to establish offices of the Reserve Bank at places which carry on international trade, foreign trade. We all know that it is generally considered that a Reserve Bank should have a limited number of offices, but since Rangoon and Madras have been included, there seems to be no valid reason whatsoever for the exclusion of Karachi from the list, and Karachi, I submit, will

[**Mr. D. N. O'Sullivan:**]

suffer considerably thereby. Karachi does a very considerable international trade. In fact, Sir, it might surprise some of the Members of this House to know that the sea-borne trade of Karachi considerably exceeds that of Madras, and is very little behind that of Rangoon. There is no object in quoting statistics at any very great length, but I would refer the House to this excellent volume of statistics published by the Government, the Statistical Abstract of British India, 1933. There is at page 570 a list of the eight principal ports in India and the total trade of these principal ports. Karachi comes fourth in the list just after Rangoon and before Madras. We need not go very considerably into past years. Going back as far as 1928-29, the total sea-borne trade of Karachi was Rs. 74,40,00,000 as against Rs. 52 crores for Madras. Similarly, for 1929-30 the Karachi figures were Rs. 60,47,00,000, as against Rs. 54 crores for Madras. In 1930-31, Karachi had Rs. 52 crores, while it was Rs. 37 crores for Madras. The figures of this year have not yet been published by the Government, and, as the Madras Chamber of Commerce apparently have not in their annual report published these totals, I am unable to get comparative figures, but there is no reason to suppose that Karachi is not still ahead of Madras.

The claim of Karachi in this respect is further enhanced by the need for finance for the Sukkur Barrage produce. I need not in this House emphasize the importance of this enormous project. It is one of the finest engineering feats of the generation. It is a scheme which has been planned and carried to completion by an Indian Service of Engineers financed by Indian capital and carried out by Indian labour and indeed it is definitely one of the wonders of modern India, if not one of the wonders of the world, in this particular kind of engineering work. Vast areas of desert have been placed under cultivation. Crops of wheat, cotton and rice now flourish, where not a blade of grass appeared before and if, anticipations in respect of the scheme are even partially realised, the port of Karachi will possibly in the future be one of the greatest ports for the export of cotton and wheat in the world.

It may not be generally known in the House that enormous sums of money have been spent in the development of the port of Karachi. New wharves have been erected and with the ancillary railway facilities, there is every reason to suppose that, with the return of prosperity, Karachi may in fact outstrip Bombay as the principal sea port of Western India.

**Mr. H. P. Mody** (Bombay Millowners' Association: Indian Commerce): Question.

**Mr. D. N. O'Sullivan:** I shall have something to say on that presently.

**Mr. H. P. Mody:** Might I tell my Honourable friend that if Bombay stood still for 50 years and Karachi went on advancing for 50 years, they might just get level?

**Dr. Ziauddin Ahmad:** May I add that Bombay hinders the progress of the rest of India?

**Mr. D. N. O'Sullivan:** It might be argued that the branches of the Reserve Bank have been opened at Madras and Rangoon, because Madras is the capital of a Presidency and Rangoon is the capital of a Province. Sir, Karachi is about to be made the capital of the new Province of Sind. Even now the Sind Committee is sitting, considering details in connection with

the separation from Bombay and now, with regard to what my Honourable friend, Mr. Mody, said I might say that the interests of Karachi have not in the past been always those of Bombay, and Karachi, in the estimation of those I have the honour to represent, has not benefited thereby. Karachi is separated from Bombay geographically, linguistically and in many other respects. It takes us as long to reach Karachi from Delhi as it does to reach Karachi from Bombay, a journey of 36 hours in each case. In every way the province of Sind is different from the Bombay Presidency. It is a pure accident that Sind became a part of the Bombay Presidency. The occupation of Sind was by contingents from the Bombay army who were sent up to deal with the Mirs of Sind, but that is by the way. My main point is that Karachi is the capital of an agricultural province, entirely concerned with agriculture. Karachi is not concerned with the fluctuations and manipulations of the Bombay stock exchange or the dealings of the Bombay bullion brokers or mill magnates. Karachi interests are very far removed from those of Bombay. If that was the position in years gone by, the position has not improved now. In the *interim* before the reforms come into being Bombay appears to be adopting a very peripatetic attitude towards the interests of Sind.

**Sir Cowasji Jehangir** (Bombay City: Non-Muhammadan Urban): Will you return to Bombay a crore of rupees a year which Bombay has lost through this connection for the last so many years.

**Mr. D. N. O'Sullivan:** I have no doubt the Government of India will repay it with interest.

**Mr. B. V. Jadhav** (Bombay Central Division: Non-Muhammadan Rural): Bombay is losing a crore of rupees every year.

**Mr. D. N. O'Sullivan:** She deserves it. Sind has suffered in the past and it is suffering even now. To give one instance. For some unknown reason, so far as any one in Sind can see, we understand there is a project for making a new railway line from Bombay to Karachi. The project will cost enormous sums of money. I do not know the actual figures. Nobody in Sind wants such a line. The reason probably is that some people do not like the journey by sea during the monsoon. I think there must be very few of them.

**Mr. Lalchand Navalrao:** There is a difference of opinion.

**Mr. D. N. O'Sullivan:** Perhaps you are one of those who cannot do the sea journey during the monsoon.

**The Honourable Sir George Schuster:** I might remind my Honourable friend that a branch of the Reserve Bank will be able to do very little to help him over these troubles.

**Mr. D. N. O'Sullivan:** I do accept that and I apologize. As I said, the interests of Sind are very different from those of Bombay and there is no logical reason why Karachi should have been left out as regards an office of the Reserve Bank. While I am dealing with the respective merits of Bombay and Karachi, I might mention that in certain high financial circles in Europe apparently it is the considered opinion that equal facilities in the matter of high finance are afforded by Bombay and Karachi. A few months

[Mr. D. N. O'Sullivan.]

ago, two foreign gentlemen went to Bombay with a forged letter of credit and endeavoured to extract a couple of lakhs of rupees from a Bombay Bank and then they went to Karachi expecting equal facilities, but, owing to the extra vigilance there, the police caught them as they were about to take advantage of the facilities offered at the very excellent air port at Karachi. They are now languishing in jail. I must apologise again for digressing. Turning aside from this levity, I ask the House in all seriousness to support me in this respect. The only possible argument that is used against my claim is that an agency at Karachi of the Reserve Bank will cost considerably less than establishing an office. But that has not been demonstrated. I see nothing about that in the report of the Select Committee and, in fact, I do not think that is an argument which can carry us far and have any weight in view of the fact that the arguments on the other side are extremely weighty. I would, therefore, ask the House to support this amendment. But before I sit down, if the House do not feel so inclined, I would ask at least for some sort of assurance from the Finance Member that exactly the same facilities will be provided by the Karachi agency of the Reserve Bank for the sale and purchase of sterling. This is a very important matter in the eyes of those whom I chiefly represent, that is to say, the mercantile community of Karachi. (Applause.)

**Mr. N. N. Anklesaria** (Bombay Northern Division: Non-Muhammadan Rural): Sir, I have listened to the speech of the Honourable Member who last spoke with the attention which everything that comes from him deserves. But I am afraid I have heard nothing from him which would make me change my opinion that all these amendments must be summarily rejected. (*Some Honourable Members*: "Why.") Sir, one of the basic principles to be considered in connection with the establishment of the Central Bank . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): A summary rejection does not require a long speech (Laughter).

**Mr. N. N. Anklesaria:** . . . . one of the basic principles to be considered is that the Central Bank should not compete with commercial banks; and it is even now a moot point in some quarters whether India requires a greater development of commercial banking or of Central Banking. It is certain that if an office of the Central Bank is opened in Karachi or Cawnpore or anywhere else, it is bound, if it is to do any good work, to come into competition with the ordinary commercial banks (*An Honourable Member*: "How."), and, so far as I have heard my Honourable friend, Mr. Thampan, and others on the present amendment, I have seen no arguments advanced in support of their contention except those that appeal to the parochial feelings of other Members of the House who are more connected with Cawnpore, Lahore, Karachi and other places than the general body of Members here. I submit, therefore, that there is no need for opening more offices of the Reserve Bank than those provided for in the Bill.

**Mr. Muhammad Azhar Ali** (Lucknow and Fyzabad Divisions: Muhammadan Rural): Sir, as I also have sent in a similar amendment, I should like to speak on this amendment. Our object in giving this amendment is only this much that, if branches are opened in these places also,

then it will not only inspire confidence in the local people, but it will also facilitate the progress of the Reserve Bank. These three places, that have been mentioned, are over and above the five, that have been mentioned in the Bill. It comes to this, that eight places only are required in all to be the centres for the Reserve Bank. Sir, surely eight places for a country like India cannot be very many. Karachi, as has just been said by my friend from Karachi, is a very important international centre for trade, and so is Cawnpore. Cawnpore is a very great trade centre, and if you imagine the distances between Calcutta and Cawnpore, between Bombay and Cawnpore and between Delhi and Cawnpore, you will realise that there are great distances to be travelled before one can go to a Reserve Bank Branch from one place to another. Sir, if you want that this Reserve Bank business should be a reality, and that it should be realised by the people that it is being established in the interest of the people of this country, then my submission is only this that they should not grudge the establishment of a few more branches in a vast country like India. Sir, to say that only five places will be enough for India, simply because, for central banking business other countries have not got so many branch offices, is not correct. That may be all right for those places that are smaller countries, but India is a vast continent and you cannot possibly compare this big continent with other places where Central Banks are established. So, my submission is that if you want to give free discount facilities, and if you want that the facilities mentioned in clause 17 (a) and (b) should be afforded in a vast country like India, then the mere adding of three places to these centres should not be difficult. Cawnpore is a very great trading centre; it has got several mills, as my friends from Cawnpore can very well bear me out on this point, there is a lot of banking business, there are foreign banks and commercial banks doing business in Cawnpore, and Cawnpore trades with Indian States like Gwalior and other places. There is great marketing of grain, sugar, gur and different other commodities, and Cawnpore requires that there should be some such branch of the Reserve Bank there. Sir, in Cawnpore, and I think also in Karachi and Lahore, there are Currency Offices too. It might be said that the acceptance of this amendment would mean that there would be additional expenditure. My submission is that, even in Select Committee, the Government Members also admitted that the expense would not be great. Thus, I do not see any very great reason why this small request, as embodied in this small amendment, should not be accepted. Sir, we know they are now going to have autonomous provinces in the new constitution. (An Honourable Member: "Are you sure?") I may be sure or not, at least that is the allegation. (Laughter.) (An Honourable Member: "Then you are the 'alligator'?") (Mr. S. C. Mitra: "Then Patna and Nagpur will also claim similar privileges.") But, Sir, I also find that the Chambers of Commerce of the United Provinces sent in a memorandum to the Committee, which the members of the Select Committee must have seen themselves. They also wanted that there ought to be a branch office at Cawnpore. Therefore, my submission is that this small amendment should be accepted.]

**Diwan Bahadur A. Ramaswami Mudaliar** (Madras City: Non-Muhammadan Urban): Mr. President, the scheme of this clause is that there shall be a branch at every place wherever there is a share register. Thus, five centres have been chosen because there are five share registers.

[**Dewan Bahadur A. Ramaswami Mudaliar.**]

and these are supposed to be the capitals of those areas; if I may say so, but my friend, Mr. Anklesaria, with his attitude of summary rejection of every connected amendment, was very indignant on this point. Now, may I point out to him that power is given to the Reserve Bank to open branches wheresoever they choose and the very next year after the Reserve Bank is established. So it is perfectly open to them to have branches at Karachi, Cawnpore and Lahore. The point of view from which this amendment is placed is simply this, that it is perfectly true that this scheme recognises five centres as being the capitals for the share registers; still, these particular centres—Cawnpore, Lahore and Karachi—are so important that a branch at least of the Reserve Bank may be established there. It might be argued that the Imperial Bank will carry on the functions of the Reserve Bank in those areas. My friend talked a great deal of the Reserve Bank not coming into competition with any commercial banks. If he had understood the scheme of the working of the Reserve Bank, he would have realised that under no circumstances can the Reserve Bank come into competition with commercial banks. It is only when you make the Imperial Bank or any other Bank an agent of the Reserve Bank that you put the power of competition between one set of commercial banks and another. Now, what will happen if in these three important centres, Cawnpore, Lahore and Lucknow, the Imperial Bank is made the agent of the Reserve Bank as it is bound to be if provision is not immediately made for it? The rediscounting facilities of the member banks can only be obtained through the Imperial Bank unless, of course, they go out of the area and come to Delhi or to Bombay or some other place. It is there that the competition between one commercial bank and another comes in. It is there that one commercial bank will have to go to the Imperial Bank agent at Karachi, disclose its state of affairs and ask for rediscount facilities and that, I submit, is not fair at least in places where commercial business is so highly developed as in Karachi, Lahore and Cawnpore. These are the places which are doing commercial business on a large scale. They have their own Chambers of Commerce and also currency offices. I venture to think, therefore, that it will not add very considerably to the cost if agencies are established in these places. As I have said, this clause provides for the establishment of agencies in these places subsequently. What we suggest is that simultaneously there must be branches here. I won't even say simultaneously, because, after all, this is an enabling provision and the clause says that, as soon as may be, branches may be established in these places. Even if you put in the names of Karachi, Lahore and Cawnpore, it does not mean that automatically the branches of the Reserve Bank will be established in those places. The Reserve Bank Directorate has still got the time to consider the proposal. What the amendment seeks to ask is this, that some time, in the not very distant future, branches of the Reserve Bank may be established in these places. I venture to submit very deferentially to the Honourable the Finance Member that nothing would be lost if this amendment is accepted, and the apprehensions of large commercial interests will, to a certain extent, be allayed if the Reserve Bank gets its agencies in these three places.

**Raja Bahadur G. Krishnamachariar** (Tanjore cum Trichinopoly: Non-Muhammadan Rural): Will the Honourable Member see that the amendment says "shall" establish and not "may"?

**Diwan Bahadur A. Ramaswami Mudaliar:** It says as soon as may be.

**Mr. B. Das** (Orissa Division: Non-Muhammadan): Sir, I had no intention to participate in this debate, but when I find that the House is in the throes of inter-provincial jealousies, I cannot help suggesting a formula which will solve the problem if it is accepted by the Honourable the Finance Member. Whether Karachi is the present capital of Sind or the would-be capital of Sind, the province of Orissa is not mentioned at all. The other day I did not vote for the motion of my friend, Mr. Maswood Ahmad, because he wanted a branch of the Reserve Bank to be set up at Patna, but he did not mention of Cuttack. I would suggest that the whole problem would be solved if the Honourable the Finance Member sees his way to establish a branch of the Reserve Bank at every capital town of all the 12 provinces including that of Burma. Sir, that is the right solution, and I respectfully submit to the Honourable the Finance Member that he should not be carried away by the pressure that is being put on him by the commercial or agricultural sections of any particular province on the floor of this House. The most equitable solution will be that every province should have a branch of the Reserve Bank.

**Mr. A. Hoon** (Allahabad and Jhansi Divisions: Non-Muhammadan Rural): Sir, I thank my Honourable friend, Diwan Bahadur Mudaliar, for having advocated the cause of opening branches at Karachi, Lahore and Cawnpore, especially because he comes from none of those places. Mr. Azhar Ali, who hails from Lucknow, has also advanced the cause of Cawnpore, but, as I come from Cawnpore itself, I claim the indulgence of the House to give me a little time to say something with regard to the establishment of a branch at that place. Sir, I have understood from the remarks made by Mr. Mudaliar that the work of the Reserve Bank at Cawnpore will be carried out through the agency of the Imperial Bank. That fact alone establishes that there is room for work to be done by the Reserve Bank at Cawnpore and, in order to accomplish that, they shall have to establish an agency there. The question of inter-provincial jealousies is suggested by my friend, Mr. Das, but it is not relevant at all. We do not want to deprive any province of a branch. All that we want is that there should be a branch at Cawnpore and we hope that we shall succeed in establishing our case. I can say with great pride that Cawnpore is now styled and rightly styled as the Manchester of India.

**Mr. Gaya Prasad Singh:** Does Mr. Mody agree with that view?

**Mr. A. Hoon:** It is an established fact on which there cannot be two opinions.

**Mr. Amar Nath Dutt** (Burdwan Division: Non-Muhammadan Rural): What is London of India?

**Mr. A. Hoon:** I hope it is not Burdwan. Sir, Cawnpore is a very big centre of the cotton industry, the woollen industry, the leather industry and of the sugar industry. It is not only that we manufacture all these things on a very large scale, but we in Cawnpore have more or less become a distributing centre of all these goods for Upper India. We have got trade connections with the Indian States and the gentlemen from

[Mr. A. Hoon.]

Delhi will perhaps be surprised to learn that we send goods to Delhi also on a very large scale. There is another aspect of this question which has also got to be considered. It is this that in fixing up the number of branches the framers of the Bill have, I believe, taken into consideration either the question of distances or the question of trade. I frankly admit that the trade of Cawnpore is not so big as the trade of Bombay or of Calcutta; but, at the same time, I submit that the trade of Cawnpore is better than of any other place where the branches of the Reserve Bank are now going to be opened. Sir, since power has been given to the Directors of the Reserve Bank to open these branches wherever they think it necessary, I submit that there would be nothing out of the way if the framers of the Bill at this moment do give their due consideration to this question, whether it would be right to open a branch at Cawnpore and other places at present or later on. I for one would be satisfied if it is stated by the Honourable the Finance Member with cogent reasons that at this particular moment we do not consider it necessary, but that we shall soon be establishing a branch at Cawnpore. With these remarks, I support the amendment.

**Raja Bahadur G. Krishnamachariar:** Sir, I had not intended to intervene in this debate, but the interpretation put by my friend, the Diwan Bahadur, compels me to state what exactly I understand to be the position with regard to clause 7. It will be seen that clause 7 is divided into two portions. It says first "shall" and, with regard to certain other places, it says "may".

I submit that if the amendment is accepted, although the words "as soon as may be" are there, the position of these other places, which are sought to be included along with Rangoon and Calcutta and Madras, would be exactly the same and I take it that the Reserve Bank must establish these branches in order to carry on its business. The words "as soon as may be" do not really mean any difference in the duty cast upon the Government by virtue of this clause and, if the amendment is accepted, the Government will be as much bound or the Bank will be as much bound to open branches in those other places defined here as in the other places which would be added to it now.

**The Honourable Sir George Schuster:** Sir, debates of this kind always lead to a very healthy interchange of speeches by those who are influenced by motives of local patriotism or at least by their own knowledge of the needs of the place from which they come, and I think this has been a very useful debate from that point of view. I want to put the case quite dispassionately before the House explaining to them how we have reached this position, and why we think that this position as embodied in the Bill is really the right position to maintain at present. I imagine that those who have spoken and those who feel strongly on this matter have had two interests in view, first of all the interests of the public and, secondly, though it has not actually been mentioned in this particular debate, the interests of the currency staff in the places where there are currency offices. I wanted to mention that, because I know that certain Honourable Members have been influenced by that consideration as to whether the currency staff in places where there are currency offices will be properly looked after. We fully intend, I should like to say at the outset, that the interests of

the currency staff should be safeguarded and that of no change in conditions likely to arise which will prejudice the position of the members of the currency staff at various places where we have currency offices. I just wanted to make that point clear. Then, as regards the interest of the public, of course we also fully agree with all that has been said in the sense that we feel that the interest of the public must be properly looked after, but what we felt was that apart from the accredited main centres where the share registers are to be kept, it is wiser to leave the actual opening of branches to the discretion of the Board. I think I am correct in saying, in spite of what my Honourable friend, Mr. Meddier, has said, that it is contrary to the accepted principles of central banking that a Central Bank should have a large number of branches. There is a good deal in what my Honourable friend, Mr. Anklesaria, said. If a Central Bank has branches in a great number of places, there must be a tendency, I will not go further than that, but there must be a tendency, for the Reserve Bank to get more into competition with the ordinary banks than it would otherwise do. Those who are in charge of a branch will obviously do their best to justify their existence and as those who took part in the discussions in the Select Committee will realise there are many parts of the field of the Reserve Bank's business where it is possible that it may come into competition with the ordinary banks. The representatives of the ordinary banks showed a good deal of anxiety on that point and one cannot deny that there is a danger of the Reserve Bank overflowing in its activities into the fields of the ordinary banks. Therefore, as a general principle, we feel quite strongly that the over-doing of establishing branches should be avoided. In those places where there are currency offices, there are three alternatives that might be followed; either first, as is recommended by this amendment, full-fledged branches of the Reserve Bank might be set up; or secondly, the organisation of the currency offices might be continued as an issue office of the Reserve Bank; or thirdly, that might be taken over by the Imperial Bank as part of its business as the Agent for the Reserve Bank. Under either of those three alternatives, we feel that the public will not have inadequate facilities, but of course if there is a demand and if the Central Board thinks fit, then the Central Board will establish branches at these places. A good deal has been said in this discussion about the facilities which the opening of a branch of the Reserve Bank would give. I think possibly some Honourable Members who have spoken have tended to exaggerate what the practical effect of opening a branch of the Reserve Bank would be. One must emphasise that the Reserve Bank is not there to give facilities to the ordinary members of the public. It is there as a bankers' bank essentially, and I think some of the speeches based on general grounds have tended to indicate the idea that a Reserve Bank will do very much more than, I am afraid, a Reserve Bank can accomplish. I do not want to stress too much the disadvantage of extra expense; but undoubtedly that is a practical point, and once we start enlarging the number of branches, then there will inevitably be further demand for the extension of that principle. This debate has already indicated the danger. My Honourable friend, Mr. B. Das, was not slow to get up and say, if Cawnpore has a branch, or if Karachi, as the capital of the anticipated new Province of Sind, is to have a branch, then the capital of his own new Province of Orissa should also have a branch.

**Dr. Ziauddin Ahmad:** That chance for Orissa will become much brighter if the branches are established in these three places.

**The Honourable Sir George Schuster:** I am afraid I cannot follow the purpose of my Honourable friend's interruption. Then my Honourable friend, Mr. Hoon, advanced the principle that if there is work for an agency, then there must obviously be work for opening a branch, but I am sure that he will himself admit that that argument carries him rather too far, because, of course, the Reserve Bank will have agencies in a great number of places in India and obviously it could not go to the expense of setting up branches everywhere. As regards Karachi, a special point has been raised, namely, the facilities for buying and selling sterling. I am quite prepared to give my Honourable friend who spoke last on behalf of Karachi the assurance that facilities for the performance of the statutory obligations of buying and selling sterling can be provided and will be provided at Karachi. When the statutory obligation on the currency authority was one of selling gold, then there were difficulties about providing that for Karachi.

**Mr. D. N. O'Sullivan:** May I know whether that would involve any additional expense by way of payment of agency commission or any other payment howsoever small?

**The Honourable Sir George Schuster:** I suppose my Honourable friend's object in asking for the assurance was that, if the facilities were directly available at Karachi, payment of commissions would be avoided.

**Mr. D. N. O'Sullivan:** Yes.

**The Honourable Sir George Schuster:** My assurance in that case is that Karachi will have the same facilities as Bombay, for example. I think that should satisfy my Honourable friend. Then, again, as a debating point I would put it to my Honourable friend that the remarkable development in the trade of Karachi seems to indicate that the lack of those facilities in the past has not been a very hampering factor. I think that covers all that I have to say on this matter and I would turn again to the essential ground on which we took our stand, namely, that it is wiser at the present stage to leave this question of opening branches to the discretion of the Board. We do not feel that, with the Bank set up and a Central

Board on which all areas will be represented directing its policy, there is any serious risk that facilities which are really needed will not be given to all the localities. We should certainly put no obstacles in their way and they will have before them the sentiments expressed in this debate, and I have no doubt that they will, as one of their earliest tasks, consider this question as to whether more branches are necessary. However much I sympathise with those who have spoken in support of the interests of their respective areas, I would put it to them that the wisest policy now is to take the course followed in this Bill and leave all these questions to the discretion of the Board. And I would point out as regards the Imperial Bank that we have made it quite clear that in the agreement with the Imperial Bank nothing should be said which would operate as any restriction on the liberty of the Reserve Bank to open branches wherever it may desire. The field is entirely open, and I think every area will get a fair chance.

Mr. President (The Honourable Sir Shanmukhay Chetty). The question is:

"That in clause 6 of the Bill, after the word 'Madras', the words 'Karachi, Lahore, Cawnpore' be inserted."

The Assembly divided:

**AYES—39.**

Abdul Matin Chaudhury, Mr.	Neogy, Mr. K. C.
Izhar Ali, Mr. Muhammad.	Nihal Singh, Sardar.
Zadi-uz-Zaman, Maulvi.	Parma Nand, Bhai.
Bagla, Lala Rameshwar Prasad.	Patil, Rao Bahadur B. L.
Bhuput Sing, Mr.	Phookun, Mr. T. R.
Brij Kishore, Rai Bahadur Lala.	Puri, Mr. B. R.
Chandi Mal Golá, Bhagat.	Puri, Mr. Goswami M. R.
Das, Mr. B.	Raghbir Singh, Rai Bahadur Kunwar.
Dutt, Mr. Amar Nath.	Ranga Iyer, Mr. C. S.
Hoon, Mr. A.	Reddi, Mr. P. G.
Ibrahim Ali Khan, Lieut. Nawab Muhammad.	Reddi, Mr. T. N. Ramakrishna.
Ismail Ali Khan, Kunwar Hajec.	Sant Singh, Sardar.
Iara, Chāndri.	Sarma, Mr. R. S.
Lalchand Navalrai, Mr.	Sen, Mr. S. O.
Mitra, Mr. S. C.	Shafee Daoodi, Maulvi Muhammad.
Mody, Mr. H. P.	Sitaramaraju, Mr. B.
Muazzam: Sahib Bahadur, Mr. Muhammad.	Sohan Singh, Sirdar.
Mudaliar, Diwan Bahadur A.	Thampan, Mr. K. P.
Rāmaswami.	Uppi Saheb Bahadur, Mr.
Murtuza Saheb Bahadur, Maulvi Sayyid.	Ziauddin Ahmad, Dr.

**NOES—46:**

Abdul Aziz, Khan Bahadur Mian.	Macmillan, Mr. A. M.
Ahmad Nawaz Khan, Major Nawab	Metcalf, Mr. H. A. F.
Anklesaria, Mr. N. N.	Millar, Mr. E. S.
Ayangar, Mr. V. K. A. Aravamudha.	Milligan, Mr. J. A.
Bajpai, Mr. G. S.	Mitter, The Honourable Sir Brojendra
Bhore, The Honourable Sir Joseph.	Morgan, Mr. G.
Bower, Mr. E. H. M	Mukherjee, Rai Bahadur S. C.
Chatariji, Mr. J. M.	Noice, The Honourable Sir Frank.
Clow, Mr. A. G.	Pandit, Rao Bahadur S. R.
Cox, Mr. A. R.	Rafiuddin Ahmad, Khan Bahadur
Dalal, Dr. R. D.	Maulvi.
Dash, Mr. A. J.	Raisman, Mr. A.
DeSouza, Dr. F. X.	Rajah, Rao Bahadur M. C.
Dillon, Mr. W.	Ramakrishna, Mr. V.
Graham, Sir Lancelot.	Rau, Mr. P. R.
Grantham, Mr. S. G.	Schuster, The Honourable Sir Georg
Haig, The Honourable Sir Harry.	Singh, Kumar Gupteshwar Prasad.
Hezlett, Mr. J.	Singh, Mr. Pradyumna Prashad.
Hudson, Sir Leslie.	Sinha, Rai Bahadur Madan Mohan
James, Mr. F. E.	Smith, Mr. R.
Jawahar Singh, Sardar Bahadur	Studd, Mr. E.
Sardar.	Suhrawardy, Sir Abdulla-al-Mamün.
Lee, Mr. D. J. N.	Tottenham, Mr. G. R. F.
Mackenzie, Mr. R. T. H.	Trivedi, Mr. C. M.

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That in clause 6 of the Bill, for the words 'and Rangoon', the words 'Rangoon and Karachi' be substituted."

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That in clause 6 of the Bill, after the word 'Rangoon' the word 'Cawnpore' be inserted."

The motion was negatived.

**Mr. S. C. Mitra** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Sir, I move:

"That in clause 6 of the Bill, for the words 'and Rangoon' the words 'Rangoon and a branch in London' be substituted."

In this connection I have another consequential amendment, No. 71, which I shall move later on with your permission. My object is to change the place of London from optional to compulsory . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): Then the Honourable Member must move it in this form:

"That in clause 6 of the Bill, for the words 'and Rangoon' the words 'Rangoon and a branch in London' be substituted, and the words 'or in London' be omitted."

**Mr. S. C. Mitra**: All right, Sir. I move:

"That in clause 6 of the Bill, for the words 'and Rangoon' the words 'Rangoon and a branch in London' be substituted, and the words 'or in London' be omitted."

The purpose of my amendment is that a branch of the Reserve Bank of India should be started in London at once without it being left to the option of the Central Board to start it at a later date if they think it necessary. I think nobody in this House will deny the necessity of a London branch. All that was said against this suggestion was that a country, which has got a Central Bank, transacts its works in a foreign country through the Central Bank of that foreign country. But I would like to emphasise that India's case stands on a different footing. I move this amendment on three grounds: firstly, I support it on the ground that it will help the training of Indians in the London Branch where they will have experience of the international market and get proper training. Secondly, that the influence of the Bank of England should not be predominant on the Central Bank of India. There is a general misapprehension here in India that our Central Bank may merely be a subservient branch of the Bank of England and may carry out its behests. If we begin with the handicap of not having a branch of our own in England and let the Bank of England be our agent there, then, on all important matters, particularly in the matter of raising of any debt and all such important matters, they will be not only our agents, but will be dictating to the Central Bank in India. My third ground is that the position of other countries in relation to England is very much different from that of India. We have

large payments to make in the shape of home charges; we pay more than £40 millions, and, to discharge those duties, a branch in London will have sufficient work to do. So the example of other foreign countries which have their Central Banks does not apply in the case of India. On these three grounds, I move that a branch of the Central Bank of India be started in London at once and it must be made compulsory and that this question should not be left to the discretion of the Central Board.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in clause 6 of the Bill, for the words 'and Rangoon' the words 'Rangoon and a branch in London' be substituted, and the words 'or in London' be omitted."

Does Mr. Bhuput Sing move his amendment?

**Mr. Bhuput Sing** (Bihar and Orissa: Landholders): Sir, I want to support the amendment moved by my Honourable friend, Mr. Mitra, and do not like to move my amendment. The Government in Select Committee agreed that the previous sanction of the Governor General would not be required to establish a branch in London, and that the option of opening it might be left to the Board of Directors if and when they felt the necessity of opening such a branch. But we on this side feel that the opening of a branch in London should be in the Statute itself provided for. Our main reason is that our young Indians will have an ample opportunity of getting in touch with all the experts in the international money markets in London; and to my mind the influence of the City of London will, to a great extent, be minimised if we have our own branch in London. In 1927, the Government saw no objection to include such a provision in the body of the Bill to make it obligatory that there shall be a branch in London. I do not know how much pressure has already been brought on the Government of India not to agree to this small demand of ours. Though in the amended Bill the previous sanction for opening such a branch is not required, yet the Central Board, as constituted for the first four years, will be predominantly nominated, and it is our intention that the Bank at its very inception should have a branch of its own in London. Simply for the purpose of co-operation between the Central Banks of India and the United Kingdom of which much capital has been made, I do not agree that the Central Bank of India should employ the Central Bank of the United Kingdom as their agents. The condition of India is quite different from that of any other independent country, and the co-operation that is possible between the Central Banks of other independent countries cannot be possible as the Bank of England will always try to subordinate the interests of India to the interests of other parties. Lastly, India has to meet large obligations in the shape of home charges every year and that will entail the largest possible transaction for the Bank of England for which they will earn a huge amount of profit by way of agency commission from India; and, in comparison with that, England will have very little business in India and there will be very little profit to the Indian Central Bank. So, on the ground of economy also, I think a branch in London is essential instead of giving the Bank of England the agency for the Reserve Bank of India. On these grounds, I whole-heartedly support the amendment.

**Mr. B. V. Jadhav:** Sir, I desire to support the amendment moved by my friend, Mr. Mitra. The Central Bank of India must have a branch of its own in London as early as possible. If the agency is given to the Bank of England to work for the Reserve Bank of India, then the Directorate of the Reserve Bank will not be so eager to open a branch there for some time to come. As has been already said by previous speakers, Sir, India has to transact a considerable amount of business, we have to pay the Home charges, pensions, railway dividends, interest on various loans, and so on, and, therefore, our business will be of considerable magnitude to justify the establishment of a branch in London. At the same time, if the office in London is properly manned by Indians, it will serve as a very good training ground for our youngmen, and when they return to this country, they will be able to open more branches, their experience will be very useful in encouraging banking in this country. Now, in England we have the India House, and that is a very important thing there. In the same way, we must have a branch of the Reserve Bank in London. The Dominion of Canada has got a branch in London, and, in order to justify our existence and show our importance in the eyes of the English nation, it is very desirable to have a branch of the Reserve Bank in London. In the present Bill, as returned by the Select Committee, powers have been given to the Board to open a branch in London when they think fit; but, as I said, the opening of the branch should take place as early as possible, and, therefore, it ought to be made obligatory on the Board to open a branch in London. Sir, I strongly support this motion.

**Sir Cowasji Jehangir:** Sir, I support this amendment. In the 1928 Bill, it was provided that there should be a branch in London. The London Committee thought that it should be optional to the Central Board to start a branch in London, for reasons given in the London Committee's Report. In the Bill we are now discussing, it was provided that a Branch could only be started by the Central Board after obtaining the previous sanction of the Governor General in Council. The obligation to obtain this previous sanction was omitted by the Select Committee, and the position in the Bill now is that the Central Board can start a branch in London just as they can start a branch in any city in India. Sir, the reasons that led us in England to accept the position, which the Report explains, were not, I think, carefully considered. India is in an exceptional position. It cannot be compared with any of the dominions nor with any other country in the world which has a Central Bank. We have to remit to England large sums of money. We have Indian sterling securities, we have British securities, we have gold reserves in England which conditions cannot be compared with conditions in any other country in the world; and, therefore, I do not see any objection to having a branch in London. That does not mean that the Bank of England shall not act for the Reserve Bank in certain respects. The Bank of England will have to be employed as an agent for raising loans. No other Bank in England could help us as the Bank of England can. The world goes to the Bank of England to raise loans; and, therefore, whether the Reserve Bank has a branch in London or not, India will have to go to the Bank of England just as every other country in the world has to go for the purpose of raising loans. But my strongest reason for supporting this amendment is the strong feeling in India, and if in this matter we can meet that strong feeling and the sentiments of the commercial classes, I think we should

do so. We have always said that this Reserve Bank should have the support of public opinion. I sincerely believe, Sir, that the Select Committee have done all they could to meet public criticism and the objections that have been raised to the Bill by those worthy of expressing their opinion. In this case, perhaps the Select Committee might have gone a little further and that public opinion in this matter had agreed to having a branch in London. I, therefore, support this amendment, Sir.

**Mr. N. N. Anklesaria:** Can the Honourable Member give us some idea of the expense involved?

**Sir Cowasji Jehangir:** There may be a little extra expense; I don't deny it.

**Mr. N. N. Anklesaria:** How much would it be?

**Sir Cowasji Jehangir:** When we talk in crores, I don't think a little extra expense in opening a branch is going to do any damage.

**Mr. N. N. Anklesaria:** What does the Honourable Member mean by "a little extra expense"? Can he give us an approximate idea?

**Sir Cowasji Jehangir:** No. I have no idea, but whatever it is, I think it will be worth while.

**Mr. Gaya Prasad Singh:** Sir, I also support the motion of my friend Mr. S. C. Mitra. This question as has been pointed out by Sir Cowasji Jehangir came up in the Select Committee, where we tried to convince our official friends of the desirability and necessity of providing for the opening of a branch in London, but we did not succeed there. Some concession has been allowed by the Government Members, and they agree to having a branch in London when the Central Bank thinks fit to do so; but we wanted that this provision should be laid down in the Statute itself so that the Reserve Bank should start with a branch in London. As has been pointed out by previous speakers, we have enormous financial obligations in London by way of Home charges and other things, and it is, therefore, necessary that we should have our own branch there to transact all the various classes of business and to be in direct touch with affairs.

Now, Sir, it has been stated that other countries transact their business in London through the Bank of England, but this is a parallel which cannot hold good in the case of India in view of the political and other differences. This fact was clearly recognised by the Report on this Bill to which the official Members are also signatories. At page 2 of this Report, it is stated:

"We consider in this connection whether it would be proper to place a Statutory obligation on the Reserve Bank to open a branch in London. We have noted that the present tendency among the Central Banks of the world is not to establish branches outside their own countries, but to employ other Central Banks as their agents at foreign centres. While we should be unwilling to make any recommendation which could be construed as a failure to appreciate the importance of international co-operation between the Central Banks of various countries . . . ."

—Here I will ask Honourable Members to note the following words—  
"we cannot accept the view that the practice of other countries affords an exact parallel to the particular case in India as regards representation in London."

**Mr. Gaya Prasad Singh:**

Therefore, I submit that the Government themselves recognise that the case of India is somewhat different from the case of other countries in respect of a branch of the Reserve Bank in London.

It has also been pleaded that if we have a branch in London from the very commencement, it will afford exceptional facilities to young Indians to get training in banking matters so as to be able to control the Reserve Bank in India. In the 1927-28 Bill, the Government agreed to the recommendation of having a branch in London, and I don't see anything has been said now which would detract from the force of the argument which was advanced on that occasion, and accepted by the Government.

Sir, my Honourable friend, Mr. Anklesaria, wanted to know the approximate cost which will be involved in opening a branch in London. Of course, it is a point which I cannot answer; it should be better addressed to my Honourable friend, the Finance Member. But speaking generally in an offhand manner, I may say that if our London branch has to transact the business which will have to be performed through the Bank of England, it will save the amount of commission which will have to be paid to the Bank of England; and what it will come to exactly, I am not in a position to say.

There is another point to which I should like to refer. It has been stated, in the Despatch of the Government of India, that the intention is that this Reserve Bank should act in close co-operation with and at the dictation of the Bank of England. I am not exactly quoting the words.

**The Honourable Sir George Schuster:** Is my Honourable friend professing to give a quotation? If so, he is completely misrepresenting what is said there.

**Mr. Gaya Prasad Singh:** My Honourable friend always says that others are misrepresenting him. Will my Honourable friend himself quote the exact words which his Government employed in the Despatch which they sent to the Secretary of State?

**The Honourable Sir George Schuster:** I have not got a copy of the Despatch with me.

**Mr. Gaya Prasad Singh:** I too have not got a copy of the Despatch with me.

**The Honourable Sir George Schuster:** I can, however, say with confidence that the substance of the quotation which my Honourable friend gave was incorrect.

**Mr. Gaya Prasad Singh:** So far as I recollect, and I speak subject to correction, what was stated in the Despatch was that the Reserve Bank should act in close co-operation with, and on the lines approved of by, the Bank of England. Am I correct? I pause for a reply. What is the meaning of this phrase, "on the lines approved of by the Bank of England"? It means dictation. My Honourable friend said that I was misrepresenting. Now, I have quoted the exact words. (Laughter.) The very fact that Government are so keen in opposing this innocent amendment on our side indicates that they are actuated by some sort of suspicion.

in the matter; and this strengthens our suspicion that they want the Bank of England to lord it over our Reserve Bank; and that is why they are unwilling to allow a branch to be opened in London. I do not understand what objection there can be in having a branch in London. Non-official opinion in this country is practically unanimous in demanding a London branch from the very outset. Commercial people—I have seen numerous papers and representations on the subject—also advocate that a branch in London should be made compulsory, and I do not understand why Government should be so keen on opposing this amendment.

**An Honourable Member:** They have not yet opposed it. They may accept it.

**Mr. Gaya Prasad Singh:** I sincerely wish that, in order to shorten our time and allay our suspicion, my Honourable friend may stand up and forthwith accept this amendment so that there may be no occasion for other Members to make their speeches. My Honourable friend on behalf of Government has shown a somewhat conciliatory attitude in some of the other matters in the Select Committee and I hope that, in response to what I might term as the unanimous public opinion in this country, he will accept this motion.

**Sardar Sant Singh (West Punjab: Sikh):** I do not want to repeat the arguments of my friends on this side of the House, but there are two points to which I want to draw the attention of the Honourable the Finance Member on this question. First of all, it is admittedly correct that in the Bill of 1927 a branch in London was provided for in the Bill itself, and, therefore, the onus of proving that there is now no necessity to open a branch there lies very heavily upon the Government. Unless there are cogent reasons brought forward by the Government for not opening a branch there, public opinion will be justified in demanding from us why we did not press for the opening of a branch in London when there were no reasons to the contrary given by the Government. It is not for us to say why the branch is necessary; it is for the Government to tell us what new factors have come into existence since 1927 which led the London Committee and the Government of India to omit the opening of a branch in London in this year of grace 1933. The second point is, and much stress has been laid in the London Committee's report on this principle, that this Reserve Bank should be free from any political influence. Similarly, much emphasis has been laid in our speeches too on this side of the House that we have fears, whether justifiable or not, that the Reserve Bank as adumbrated in this Bill is going to be under the influence of the City of London. In order to put these fears at rest, I think Government will do well to accept this amendment. The reason is, as my Honourable friend, Mr. Gaya Prasad Singh, has just now quoted from the Despatch of the Government of India where there are certain words which lend themselves to this meaning. The expression "with the approval of the Bank of England" can mean "under the political influence of the Bank of England". Therefore, in order to justify their own stand that this Reserve Bank is sought to be free from political influence of all sorts, the Government should agree to this amendment and provide in the Statute itself that a branch in London will be opened from the very day that the Bank comes into existence. With these words, I support this amendment.

**Mr. C. S. Ranga Iyer** (Rohilkund and Kumaon Divisions, Non-Muhammadan Rural): Sir, the Honourable the Leader of the Opposition, Sir Cowasji Jehangir, who was a member of the Reserve Bank Committee and took an enthusiastic part both in London and here, has placed before us how it will be necessary for the Indian Reserve Bank, as it is necessary for the Reserve Banks in other parts of the world, to seek the co-operation of the Bank of England; and, therefore, I do not very much get worried over the language of the Despatch to which my Honourable friend, Mr. Gaya Prasad Singh, referred. But there is an apprehension in the public mind, and as it is necessary to start this Reserve Bank in an atmosphere of goodwill, I think it will be wise on the part of the Finance Member to make a good gesture in this House and accept the amendment of my Honourable friend, Mr. Mitra. I need not repeat the arguments that Honourable Members have placed before the House, but I earnestly appeal to the Finance Member to help us in creating the necessary atmosphere.

**Mr. B. Sitaramaraju** (Ganjam cum Vizagapatam, Non-Muhammadan Rural): We on this side of the House attach great importance to this amendment. Already a great deal has been said; but, however, I consider that there are one or two matters of some importance that the House would like to be brought to their notice.

I invite the attention of the Honourable Members to the fact that for the first time when a Bill to constitute a Reserve Bank was introduced in the year 1927, we found a provision made to the effect that a London branch was absolutely essential. Subsequently, when the 1927 Bill went before the Joint Committee of both Houses of the Central Legislature, they also recommended that there should be a provision that there should be a London branch, and when Sir Basil Blackett returned from London, he tried to introduce a measure which is now known as the Bill of 1928. Even in that Bill, we find a provision that a London branch is absolutely compulsory. Coming to the London Committee on the present Bill, the London Committee observed:

"We understand that it is the recognised practice of Central Banks to conduct their operations in another country through the agency of the Central Banks of that country."

When the London Committee said this, they only emphasized the general principle followed by Central Banks. To be fair even to the London Committee, it must be said that they made, however, one observation and that is to emphasize the peculiar position which India holds in relation to London, because they said:

"We, therefore, recommend that the words 'and London' should be omitted from clause 6, the effect of which will be to make the establishment of a London branch optional."

The reason is this. They recognised the peculiar position of India and deemed it necessary to have a branch in London, but they thought that it would not be advisable to make it a provision in the Constitution itself, but that it might be left to the discretion of the Central Board. Again, my Honourable friends of the Joint Select Committee of both Houses have practically conceded the idea embodied by the London Committee. I said at the very outset that we did attach a very great importance to this provision in the Bill. I shall not go into detail in regard to the position which India holds in relation to London. London means the financial interests of England which cannot be gainsaid to be a very

dominant factor in our financial position. Such being the case, the mere fact that this particular subject is left to the will and pleasure of the Central Board brings me to this very important consideration, to which, I hope, Honourable Members will pay due attention. It will be remembered that when the Central Board is constituted for the first time, the Directors of that Board will all be nominated. Therefore, the same consideration which might prevail with regard to a Board constituted afterwards does not hold good in this particular case. Here we are going to have a Central Board which is a pure nominee of the Government of India. Now it is no secret that we are highly suspicious of the dominant influence of the city interests of London and, therefore, to leave it in a matter like this in the hands of Government or in the hands of a body which is to be nominated by the Government is very dangerous. When the first nominated body of Directors sit, they have to come to some arrangement with London. They should either open a branch there or make arrangements with the Bank of England, and if they make an arrangement with the Bank of England, it is quite possible they would have to make a long term arrangement which it would be impossible for their successors to change. We know that this branch in London is the counterpart of the Reserve Bank here in which case it will have to do a lot of business practically for this country and we would like to be assured that that business will not be entrusted to anybody which cannot act purely in the interests of India.

**The Honourable Sir George Schuster:** In the first place, I should like to clear up the issues that are involved in this motion. I will say at the outset that I do not propose to argue it on the financial issue—the cost of a London office. As Honourable Members opposite have pointed out, the issues involved are of much more importance than that. Apart from that, I do not wish the House to go on discussing this matter on what appears to have been the main issue hitherto, which I consider to be a false issue. The issue before the House is not whether a London branch is to be opened or not, but whether this Legislature now is to make it compulsory for the Board not only to open a London branch, but to maintain a London branch for all time. That is the issue before the House. We are not opposing the opening of a London branch at all, and, in confirmation of this, I wish to remind the House of the very great change that has been made in the Bill on the recommendation of the Select Committee, namely, that the condition that the decision to open the branch should receive the prior assent of the Governor General in Council has been removed. We are proposing to put the decision entirely in the hands of the Board and Government relinquishes all right to determine the matter. On this point, I think my Honourable friend, who has just spoken, is entirely unfair in his suggestion that the first Board at any rate will be a creature of the Government of India. The Governor General in Council will select the best men that they can find in India to perform the business of the Bank and the gentlemen selected will be completely independent of Government control. It is the essence of this whole plan that the Directors will have in their hands complete power to run the affairs of the Bank. That spirit has been preserved in all the clauses of the Bill and I would remind the House again that we accepted a recommendation of the Select Committee that nominated Directors should hold their office in the same way as elected Directors so that they need not feel that they were in any sense under the control of the Governor General in Council. Moreover, even though the Board may in the first instance be a nominated Board, there

Sir George Schuster]

will be a change as early as at the end of the first year and from that year the elected element comes in.

Now, on this issue of whether we are to compel the Bank to open a branch in London, I have a few points that I want to put to the House. In the first place, what has been said about co-operation between the Central Banks of the various countries of the world is really a matter of very great importance. If we are to proceed at all on lines of economic progress in the world (which is in such a mess today), that progress must be based on international co-operation: and in a world which at present shows very little signs of such co-operation, particularly among its business sections, I should say that there have been signs of one notable exception, and that is the Central Banks of the world. The Governors of the Central Banks have tried more honestly to work in a spirit of international co-operation than any other important leaders in the world today, and of all of them the one who has taken the greatest lead in these matters—and I am glad to have an opportunity of paying a tribute to him—is the Governor of the Bank of England. Indeed, he has been accused of going much too far in that direction; in fact I think one Honourable Member speaking yesterday quoted some accusations that had been levelled against him on that ground. But, I can testify from my personal knowledge how in those dark days after the War, there would have been no chance at all of the recovery of the Central European countries if the Governor of the Bank of England had not stepped in and given a lead and taken very heavy responsibilities. The recovery of Austria, which was the first step, was entirely due to his action and the courage which he showed, and after that step there followed similar action in regard to Hungary and other countries. The action was worked through the Finance Committee of the League of Nations—but that body would have been quite powerless unless one of the nations had been prepared to come forward and give a lead by saying: "We will put up £5 million or £6 million, whatever it may be, to help this scheme through". Sir, I feel it necessary to go rather outside the scope of this discussion to point that out, for this reason. I do feel—and I hope Honourable Members opposite will regard me as a friend of India in this matter—I do feel that it would be very unfortunate if India and the representatives of India should approach these questions in an atmosphere of suspicion. I do not want,—looking at the matter entirely from the Indian point of view,—I do not want India to take a line in London which will be interpreted as indicating a suspicious attitude, which can quite naturally evoke undesirable reactions.

And now let me just say something to show to the House the sort of thing which I have in mind. One very important point has been made in this debate,—and I should like to say I have the fullest sympathy with Honourable Members opposite in all that they have said so far as concerns the motives which lie behind them—one important point has been made that the opening of a branch in London will give facilities for training Indians. That is of vital importance, and I have always been attracted by the idea of a London office for that very reason myself. But let us consider the matter a little further. I think it is quite fair to expect—indeed I have reason for saying so—that when India has her own Central Bank, the Bank of England will give facilities for officials of that Central Bank to work in London and get training at the Bank of England. Now I am not wishing to come down on one side or the other. I am merely putting this consideration to Honourable Members opposite. It may be of far

greater value to Indians to get the opportunity of working in the Bank of England and seeing the whole of their enormous business than in working in a London branch of their own Reserve Bank, which after all will have a very limited scope of business.

**Mr. B. V. Jadhav:** May I know whether that is a pious wish of the Honourable Member, or there is an understanding between him and the authorities of the Bank of England that Indians will be employed?

**The Honourable Sir George Schuster:** I do not want to go too far and I specially wanted not to go too far, but I can tell the Honourable Member that I am aware of one actual case of an individual who asked to be allowed to go and work at the Bank of England and the answer was that, if India had a Reserve Bank, then any man that they like to send over to the Bank of England for training would be looked after, and every opportunity would be given to him.

**Mr. B. V. Jadhav:** Not till then?

**The Honourable Sir George Schuster:** It is not necessary to answer my Honourable friend's question more definitely, because the point I have to make is this. If we start a branch of our own in London now, it is possible that requests for facilities of that kind would not be so favourably regarded as in the other case of India following exactly the practice of all other countries. The only point I want to make now is—is it not wise to give the Central Board of the Reserve Bank the chance of examining these matters before they actually decide to set up a London office? Now, I have no hesitation in saying myself that I think, having regard to the feeling that exists in India—and I also said this in Select Committee—I think it is almost a practical certainty that the Board will set up a London branch, and that this will be one of the first steps that they will probably take; but the question which I am putting to the House is—is it not wiser to leave the Board to go into the whole matter and take their own decision, going into the sort of question which I have raised now,—what it will mean as regards actual co-operation with the Bank of England, what arrangements can be made in order to attain the objects which Honourable Members have at heart, and so on? I cannot help feeling that it would be wiser to leave the Central Board to go into those matters and not to put upon them the absolute obligation to open a London Branch; and again I would remind Honourable Members that that means not only opening a London branch, but keeping it open at all times. Now, I do not wish to speak on this matter at all in a debating spirit; I am merely asking the House to consider the sort of considerations which have been present to my own mind in thinking over this subject. Honourable Members have said, and quite rightly—indeed I cannot dispute it, because I myself signed the passage in the report which dealt with that matter,—Honourable Members have said that there are great differences between the conditions in India and the conditions in other countries. There are, undoubtedly. Still there are other dominions whose example may be examined. South Africa, for example, has a very important business in London, that of disposing of all its gold, and yet the South African Bank has not thought it advisable to open a branch in London. They are perfectly free to do so, but they have not thought it advisable to do so. That is an example which I think one is entitled to quote—for no one can say that South Africa is particularly

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[Sir George Schuster:] I am not arguing that the case is exactly parallel; I am only saying that South Africa is a country which has very important business in England for its Reserve Bank to be done, and yet they have not thought it advisable to open a branch in London. Honourable Members should consider the matter in that spirit. As I said, the issue before us is not whether you shall have a London Office, but whether you shall compel the Board to open a London Office, at once and always to maintain it.

**Mr. B. Sitaramaraju:** Has South Africa got to pay any home charges—any large amount?

**The Honourable Sir George Schuster:** I quite agree, I am not arguing that the case is exactly parallel; I am only saying that South Africa is a country which has very important business in England for its Reserve Bank to be done, and yet they have not thought it advisable to open a branch in London. Honourable Members should consider the matter in that spirit. As I said, the issue before us is not whether you shall have a London Office, but whether you shall compel the Board to open a London Office, at once and always to maintain it.

**Mr. M. Maswood Ahmad** (Patna and Chota Nagpur cum Orissa Muham-

1 P.M. madan): Will it not be possible for the House to amend the clause if there be any necessity to close the London Branch?

**The Honourable Sir George Schuster:** My Honourable friend is perfectly entitled to ask that, and it is a perfectly good point. Still, when this House passes a measure, it does not pass it with the deliberate intention of amending it afterwards, and the implication undoubtedly is that there shall be a London office at once and for all time. That is the issue and if we have to stand on the ground of the Bill, I would ask Honourable Members to realise that by doing so we are not opposing the opening of the London Branch at all. We are merely saying that the decision of this point be left to the Central Board. I have found in private life in dealing with my business affairs and, I daresay, a good many others have found it also that, when I am offered a free option, I always take it. It involves no commitment. I would always rather have a free option than an absolute commitment one way or the other, whatever it might be, and that is really the choice which the House has to make. Will they take a free option in this matter or will they bind themselves by an absolute commitment?

**Mr. Gaya Prasad Singh:** I do not want to interrupt the Honourable Member, but will he kindly tell us why Government accepted this clause of a London branch in the 1927-28 Bill?

**The Honourable Sir George Schuster:** For the very same reason that Government are now prepared to leave it to the Board to take this decision. They recognise that there is a great deal to be said for having a London office, but in the meanwhile a good many years have elapsed and this question of the co-operation between Central Banks has been advanced a good deal, and the facilities which you can get in London by working through the Bank of England are perhaps more important now than they would have been in the past. That, Sir, is the position. But before I leave it, I should just like to say a few words in reply to my Honourable friend who interrupted me. As regards our relations with the Bank of England, I think only those, who have actually had the handling of financial responsibility here, can know and say what extremely valuable services India gets from the co-operation of the Bank of England. Honourable Members opposite have gone so far as to class the influence of the Bank of England or, the advice of the Bank of England among political influences. If there is one non-political body in the world, I think it is the Bank of England. I have myself very often gone to the Bank of England and had a great many

dealings with its Governor, both in my connection with India and in handling other responsibilities and I know that, if I go and see the Governor of the Bank of England, I shall get his absolutely honest advice on my financial problems. I know that I shall get his ungrudging assistance and co-operation. There is nothing that he will not do to help those who go to him and have to work through the Bank of England in order to issue loans, and so on. It is very unfortunate, I think, that that sort of political suspicion should exist here. I think that the Finance Minister of the Indian Government in the future, if he tries to handle the raising of foreign loans through any other agency, will then be in a position to realise what advantages India gets from being able to go to the Bank of England for the issue of her loans, from having her loans treated on par with British Government securities and from having that great tradition which has been established for India in the London market. Sir, these things are possessions of incalculable value to India, and anything which is done which would tend to shake the security of those possessions is something which is extremely dangerous in India's interests. I am not suggesting that the opening of a London office would necessarily shake that security. All I am putting to the House is that, before this necessity is put upon the Bank, it is wise that the Central Board should have an opportunity to inquire into the matter and consider, even if it is going to be set up, how its setting up should be arranged and what the relations between the London branch and the Bank of England should be.

**Mr. President (The Honourable Sir Shanmukham Chetty):** The question is:

"That in clause 6 of the Bill, for the words 'and Rangoon' the words 'Rangoon and a branch in London' be substituted, and the words 'or in London' be omitted."

The Assembly divided:

AYES—46.

Abdul Matin Chaudhury, Mr.  
Anklesaria, Mr. N. N.  
Azhar Ali, Mr. Muhammad.  
Badi-uz-Zaman, Maulvi.  
Bagla, Lala Rameshwari Prasad.  
Bhuput Sing, Mr.  
Chinoy, Mr. Rahimtoola M.  
Das, Mr. B.  
Dutt, Mr. Amar Nath.  
Fazal Haq Piracha, Khan Sahib  
Shaikh.  
Hoon, Mr. A.  
Ismail Ali Khan, Kunwar Hajee.  
Isha, Chaudhri.  
Jadhav, Mr. B. V.  
Jehangir, Sir Cowasji.  
Krishnameschariar, Raja Bahadur G.  
Lalchand Navalrai, Mr.  
Mahapatra, Mr. Sitakanta.  
Maswood Ahmad, Mr. M.  
Mitra, Mr. S. C.  
Muazzam Sahib Bahadur, Mr.  
Muhammad.  
Mudaliar, Diven Bahadur A.  
Ramaswami.  
Mujuimdar, Sardar G. N.

Murtuza Saheb Bahadur, Maulvi  
Sayyid.  
Neogy, Mr. K. C.  
Nihal Singh, Sardar.  
Pandit, Rao Bahadur S. R.  
Patil, Rao Bahadur R. L.  
Puri, Mr. B. R.  
Puri, Mr. Goswami M. R.  
Raghbir Singh, Rai Bahadur  
Kunwar.  
Rajah, Rao Bahadur M. C.  
Ranga Iyer, Mr. C. S.  
Reddi, Mr. P. G.  
Reddi, Mr. T. N. Ramakrishna.  
Sant Singh, Sardar.  
Sarma, Mr. R. S.  
Sen, Mr. S. C.  
Singh, Mr. Gaya Prasad.  
Sitaramaraju, Mr. B.  
Sohan Singh, Sirdar.  
Suhrawardy, Sir Abdulla-el-Mawdin.  
Thampan, Mr. K. P.  
Unpi Ssheb Bahadur, Mr.  
Wileyatullah, Khan Bahadur H. M.  
Ziauddin Ahmad, Dr.

## NOTE—46.

Abdul Aziz, Khan Bahadur Mian.	McCauley, Mr. H. A. F.
Ahmad Nawaz Khan, Major Nawab.	Millar, Mr. E. S.
Ayangar, Mr. V. K. A. Aravamudha.	Milligan, Mr. J. A.
Bapuji, Mr. G. S.	Mitter, The Honourable Sir Brojendra.
Bhore, The Honourable Sir Joseph.	Morgan, Mr. G.
Bower, Mr. E. H. M.	Mukherjee, Rai Bahadur S. C.
Chatarji, Mr. J. M.	Noyce, The Honourable Sir Frank.
Clow, Mr. A. G.	O'Sullivan, Mr. D. N.
Cox, Mr. A. R.	Rafiuddin Ahmad, Khan Bahadur
Dalal, Dr. R. D.	Maulvi.
Dash, Mr. A. J.	Raisman, Mr. A.
DeSouza, Dr. F. X.	Ramakrishna, Mr. V.
Dillon, Mr. W.	Rau, Mr. P. R.
Graham, Sir Lancelot.	Schuster, The Honourable Sir George.
Grantham, Mr. S. G.	Scott, Mr. J. Ramsay.
Haig, The Honourable Sir Harry	Singh, Kumar Gupteshwar Prasad.
Heckett, Mr. J.	Singh, Mr. Pradyumna Prashad.
Hudson, Sir Leslie.	Sinha, Rai Bahadur Madan Mohan.
James, Mr. F. E.	Smith, Mr. R.
Jawahar Singh, Sardar Bahadur	Studd, Mr. E.
Sardar.	Tottenham, Mr. G. R. F.
Lee, Mr. D. J. N.	Trivedi, Mr. C. M.
Mackenzie, Mr. R. T. H.	Yamin Khan, Mr. Muhammad
Macmillan, Mr. A. M.	

The motion was adopted.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment No. 78\* in the name of Mr. K. P. Thampan does not fit in in this place. It is more appropriate after clause 7 which deals with management and there are similar amendments in the names of Messrs. Azhar Ali and Mitra, and the Chair proposes to take up Mr. Thampan's amendment at that stage.

The question is:

"That clause 6, as amended, stand part of the Bill."

The motion was adopted.

Clause 6, as amended, was added to the Bill.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 7 stand part of the Bill."

\* "That, after clause 6 of the Bill, the following new clause be inserted and the subsequent clauses be re-numbered accordingly :

"7. Subject to the powers given to the Governor General in Council by this Act the shareholders in general meeting assembled may give directions for the conduct of the business and administration of the bank and the Board shall be bound to act according to such instructions."

**Mr. S. C. Mitra:** Sir, I beg to move:-

"That to clause 7 of the Bill, the following proviso be added

'Provided that the shareholders, in General Meeting assembled, may give directions for the conduct of business and administration of the Bank subject to the provisions of this Act and the Board shall be bound to act accordingly.'

The purpose of this amendment is to give by Statute powers to the shareholders to give directions for the conduct of business and administration of the Bank. Going through the Bill carefully, we find that perhaps there has been no Statutory provision empowering the shareholders, though it may be considered that this power is inherent in the shareholders in general, to give directions to the Board of Directors. If it is admitted that no express provision is necessary, then, of course, there will be no necessity for it, but, as I understand it, some such specific delegation of power is necessary to make the Statute complete by itself.

Sir, I move.

**Mr. President (The Honourable Sir Shanmukham Chetty):** Amendment moved:

"That to clause 7 of the Bill, the following proviso be added :

'Provided that the shareholders, in General Meeting assembled, may give directions for the conduct of business and administration of the Bank subject to the provisions of this Act and the Board shall be bound to act accordingly.'

**Dr. Ziauddin Ahmad:** Sir, the intention of this motion is to make the general meeting of shareholders something of a reality. At present they have a General Meeting of shareholders, but I do not find any power or any privileges provided for them. It is not even said whether the General Meeting of shareholders is an advisory body or a body whose decision is final; that is, whether the resolutions passed by a general body of shareholders will or will not be binding on the Directors. There is no provision to this effect anywhere, and we are very much afraid that the shareholders, who are really supposed to be the people in power possessing all the inherent rights, will not be able to exercise any votes and their resolutions might be treated very lightly. I notice that in the case of the auditors, we find that the auditor's report will be read before the meeting of the shareholders, but they never said anything as to whether the shareholders will be able to pass any resolution and whether such resolution, if passed, will be binding on the Directors. Therefore, the object of this motion is to declare very definitely whether you want a meeting of the shareholders to be of an advisory character whose decisions may not be accepted by the Directors or it is a body whose decisions will be final. This is really a test whether you actually want to hand over the Bank to a few autocrats and leave them free to do whatever they like or you want that the shareholders should have some real power. And I hope Government will accept this particular measure if they really mean to make this Bank a democratic one for the people of India and not a measure to hand over the credit and the currency of the country to the hands of a few irresponsible capitalists. Sir, I support the amendment.

**Mr. K. P. Thampan:** Sir, when shall I move my amendment? Shall I move it now?

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member's amendment is the same in substance as this, is it not?

**Mr. K. P. Thampan**: No, Sir, there is a good deal of difference.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member can move it now if he likes.

**Mr. K. P. Thampan**: Then I beg to move:

"That to clause 7 of the Bill, the following proviso be added :

'Provided that subject to the powers given to the Governor General in Council by this Act, the shareholders in General Meeting assembled, may give directions for the conduct of the business and administration of the Bank and the Board shall be bound to act according to such instructions.'

Sir, there is a great deal of difference between this amendment and the amendment that has been moved by Mr. S. C. Mitra. The amendment moved by me clearly states that the directions and control proposed to be made by the shareholders in General Meeting must be only subject to the powers given to the Governor General in this Act, while that of my friend is that they should be subject to the provisions of this Act. That means that they cannot go beyond the provisions of this Act. I want that subject to all the powers reserved for the Governor General the rest should be done under the direction of the shareholders. There is a good deal of difference between the two and that is why I think it necessary to move my amendment.

**Mr. S. C. Mitra**: I have also said "subject to the provisions of this Act" and that means practically the same thing.

**Mr. K. P. Thampan**: No, Sir. Now, coming to the amendment itself; in the first place, the Statute itself, by its very nature, restricts the rights of the shareholders. It is not an ordinary company and, as is the case with all Reserve Banks, the shareholders have only limited rights. I agree to that, and so far there is no objection, but what the House should remember is that all rights that are not specifically provided for are to be exercised between the Governor General and the Directors. The shareholders do not come anywhere except for the purpose of passing the annual administration report and getting the dividends. Sir, in "Kisch and Elkin on Central Banks", there is a special paragraph devoted to the rights and powers of the shareholders. At page 64, you will find this:

"Where the Central Bank is organised on the general lines of a private corporation."

— and I believe our Reserve Bank is a private corporation for all practical purposes —

"the rights of the shareholders cannot be ignored. The aim should be to give them certain powers of supervision, but to provide that these powers should not be too great."

I want to know what kind of supervision these shareholders have got in the working of the Reserve Bank. Absolutely nothing, so far as I know.

He goes on to say:

"It is desirable to preserve the principle of responsibility of Directors to the shareholders on lines consonant with an organisation framed on the pattern of a commercial corporation."

Where is the responsibility of the Directors to the shareholders in this Bill? There is absolutely nothing:

"Normally, therefore, in view of the different safeguards provided in the constitution of the Bank for the protection of the public interest, the business of the shareholders' meeting, which is held at least once a year, is allowed to cover the following matters . . . .

Sir Cowasji Jehangir: What book are you reading from?

Mr. K. P. Thampan: Kisch's book, at page 64 He further says-

- "The election of Directors,
- The receipt of the Directors' report and the Auditors' report
- The approval of the balance sheet.
- The appropriation of profits, subject to the conditions prescribed in the law or Statutes
- The submission of proposals for change in the bye laws, subject to the general provisions of the law"

In certain Statutes, for example those of the Netherlands Bank and the Bank of Lithuania, provision is made for the election by the shareholders of a small advisory Committee "to confer with the Board of Management or to consider questions submitted to it by the Board".

I do not propose anything of the kind.

He goes on to say:

"In Czechoslovakia, the shareholders elect an Audit Committee to examine the balance sheets and the general situation of the Bank . . . Even wider powers are given to the shareholders in the case of the Bank of Danzig."

That is what a well-known authority, often quoted in this House, says. The shareholders should exercise their right as the proprietors of the concern. Even those provisions that are generally seen in ordinary Companies' Act are not seen here. For example, there is no provision to hold a meeting at the instance of the shareholders. I understand, even, in the case of the Imperial Bank of India, if a certain percentage of the shareholders want a meeting to be held, there is a provision enabling them to do it. Other provisions equally important are also missing. Even with regard to the domestic matters of the Bank, the shareholders cannot do anything. Their voice will not count. The whole thing is entrusted to the Directors and they are the masters of the situation, just like the public servants of this country who are the masters of the public and the tax-payers who maintain them are the subjects of the public servants and not of His Majesty the King. I will point out another instance. There are certain provisions which enable the Bank to do something hereafter—as for instance the opening of a branch in London with regard to that subject we have, by a fluke vote, got over that difficulty. (An Honourable Member: "No, no.") It is for the Opposition to decide whether they should muster together hereafter and defeat Government on all important points: I should certainly be glad to vote with them . .

**Diwan Bahadur A. Ramaswami Mudaliar:** Does the Honourable Member want this amendment to be varied by the Council of State? If he does not, I hope he will not say it is a *fluke*.

**Mr. K. P. Thampan:** Supposing there is a proposal to open a branch in some place in India itself or there is a demand for Indianising the staff on a more liberal scale: the majority of the shareholders want that these should be done, while the Directors sit tight and do not take any steps: what are the shareholders to do? How can they make their opinion felt in the Directorate? There is absolutely no way. The Directors should always be made responsible to the shareholders who are their masters. They should be made answerable for their actions: not only the Directors, but also the Governors, because the Governors are also the servants of the Bank. That is what I want and, with these words, I move my amendment.

**Mr. President (The Honourable Sir Shanmukham Chetty):** Further amendment moved:

"That to clause 7 of the Bill the following proviso be added:

'Provided that subject to the powers given to the Governor General in Council by this Act, the shareholders, in General Meeting assembled, may give directions for the conduct of the business and administration of the Bank and the Board shall be bound to act according to such instructions'."

**Mr. S. C. Sen (Bengal National Chamber of Commerce: Indian Commerce):** Sir, there are two amendments now before us, one moved by my Honourable friend, Mr. Mitra, and the other by Mr. Thampan. There are differences in language in these amendments, although the purport is the same. In the first amendment, the power of the General Meeting is subject to the provisions contained in the Bill itself: whereas, in Mr. Thampan's amendment, it is subject to the powers conferred by this Bill on the Governor General in Council. The Governor General in Council does not deal with all the details of the working, but the Bill provides for the detailed working and vests the power in the Central Board: therefore, so far as Mr. Mitra's amendment is concerned, it must be subject to those powers. If I may paraphrase it in another way, it means that the power of the General Meeting shall not be inconsistent with the powers conferred on the Central Board of Directors by this Act. Now we know that in various companies, formed under the Indian Companies Act, similar provision exists, that the powers of the Directors shall be exercised subject to any resolutions not inconsistent with the provisions of the Articles of Association. Then it has been held in various cases that the shareholders cannot do anything. For my proposition, I only point out to you the passage which will be found in Palmer's Company Precedents, Vol. I, page 781. Here it says:

"Where the articles vest the general powers of the company in the Directors, subject to such regulations not being inconsistent with the aforesaid regulations—*(that is what according to me is the substance of this clause)*—as may be prescribed by the company in General Meeting, a company in General Meeting cannot override the Directors' powers by prescribing a regulation or passing a regulation inconsistent with the articles."

Therefore, by passing the amendment, as moved by Mr. Mitra, we are exactly in the same place as if that amendment had not been passed.

because the general body of the shareholders cannot move or in any way interfere with or affect the powers conferred upon the Central Board by the Statute. Moreover, how are the shareholders going to exercise their power? They can do it only by a General Meeting. There is no provision in the Statute as at present framed for the shareholders to call a General Meeting. The Statute provides that the ordinary General Meeting can be called once a year, and the Central Board can call a General Meeting. Under the new Companies Act, which came into force in 1913—as against the Act of 1882—there is a special provision that, notwithstanding anything contained in the articles of registration, a certain percentage of the shareholders—I believe 10 per cent.—can call a meeting of the general body of shareholders. That power is also given to the shareholders of the Imperial Bank—clause 14 of Schedule II. Clause 14 of Schedule II says this:

"Any hundred or more shareholders holding shares to the aggregate amount of 500 thousand rupees or any three Governors may convene a special meeting upon giving sixty days' previous notice of such meeting and the purpose for which the same is convened."

There is no such provision . . . .

**Dr. Ziauddin Ahmad:** I have given notice of a similar amendment.

**Mr. S. C. Sen:** I am coming to it. Dr. Ziauddin has, however, given notice of an amendment under which he wants powers to be given to 25 members to convene a meeting of the shareholders, and I do not know whether it will be accepted by the Government. If that is accepted, then, on the basis of that, we can say that General Meetings should be called, and according to Mr. Mitra's amendment, the shareholders can pass certain resolutions, but, as I have shown from Mr. Palmer's book, they have no rights to interfere with the powers conferred upon them by the Statute itself. Therefore, I do not like my friend Mr. Mitra's amendment, because it will be as ineffectual as if it had not been passed here. On the other hand, I support the amendment of my friend, Mr. Thampan, because there, it is subject, not to the provisions of the Bill, but to the powers conferred upon the Governor General in Council under the Bill. Of course, the Governor General's powers are defined although his name appears there for more than 92 times, but, so far as the administration of the Bank is concerned, his interference is practically nil, except that he has the power to appoint the Governors and the first members of the Central Board and also, under certain circumstances, to remove any of the Directors.

**An Honourable Member:** Do you mean superseding them?

**Mr. S. C. Sen:** No. Supersession is another thing, which means changing the whole body of Directors and the power of management is taken over by the Governor General in Council. We have nothing to do with it here. We are here thinking of circumstances in which the Bank should go on smoothly and the Directors require to be controlled under certain circumstances.

The other day, my friend, Diwan Bahadur Mudaliar, when speaking on the difference between a Shareholders Bank and a State Bank, stated that in a Shareholders Bank, apart from other things which are common to both the Shareholders Bank and a State Bank, the shareholders have

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certain powers of interference with or control over the management. Under this Bill, we have got rid of the bogey of State Bank. We are now enacting a measure on the basis of a Shareholders Bank, and I do not find any vestige of any power given to the shareholders under this Bill. Therefore, Sir, I support the amendment of my friend, Mr. Thampan.

**Mr. E. Studd** (Bengal: European): Sir, I am afraid I am entirely opposed to both these amendments for reasons which are quite simple. In the first place, it seems to me that they contravene all democratic principles. Surely, if you are to elect your representatives to any body, whether it be a Board of Directors or a legislative body, the fact of your electing them to serve in that position carries with it the implication that you consider them fit for the job and that you are prepared to trust them. If you are not prepared to do that, it seems to me that it is much better that you should not send them there at all, it is much better that you should do without a Board of Directors . . . .

**Mr. K. G. Neogy** (Dacca Division: Non-Muhammadan Rural): Is that the position of the companies with which my friend is associated?

**Mr. F. E. James** (Madras. European): That is the position of my friend, Mr. Neogy, in the Assembly.

**Mr. K. G. Neogy**: We are not talking now of the Assembly; we are talking of a company, of a Shareholders Bank, not a State Bank.

**Mr. E. Studd**: I am not prepared to give way. Therefore, I think that in principle this is undemocratic. But it seems to me, Sir, that apart from that, there are many more cogent reasons why these two amendments should be opposed. In the first place, I think they are entirely unworkable, and I think also that they might very easily cause grave injustice. In both amendments, it is stated that the shareholders, in General Meeting assembled, may give directions for the conduct of the business and the administration of the Bank and the Board shall be bound to act in accordance with such instructions. I find nothing in either of the amendments to compel notice being given previously so that the shareholders, who happened not to be at that meeting, may know what is coming up and may have a chance of expressing their opinion. It seems to me, it is quite likely that at the various annual meetings of the Bank, the shareholders in the particular locality where the meeting is held will probably be more largely represented than the shareholders in the other registers, unless there is any particular matter to cause shareholders to send in special proxies, and it might well be that something was brought up at a meeting which many of the shareholders knew nothing about, that the majority of those who were present might pass a resolution directing the Directors to do so, and so, on a matter which vitally affected interests in other areas and which would certainly be unacceptable to them, . . . .

**Mr. Gaya Prasad Singh**: But these are to be provided in the rules and regulations.

**Mr. E. Studd**: At present there are no regulations. If this amendment were carried, there is no guarantee that it would be provided in the regulations.

**Mr. K. C. Neogy:** Look at clause 57.

**Mr. E. Studd:** But, Sir, apart from that it seems to me that would make the position of the Directors impossible. There must obviously be in the management of any business, when some problem comes up for decision, a very great deal of confidential information which becomes available to the Board of Directors before they make up their minds and come to a decision which, in the interests of the concern itself, in the interest of the shareholders themselves, it would be very unwise to make public, and you might easily have the position at the General Meeting where the shareholders were trying to press some particular course on the Board of Directors thereby compelling the Directors to disclose certain information which would be, in the opinion of the Directors, contrary to the interests of the Bank. It is a matter of common knowledge that in every company there are quite frequently occasions where information in the possession of the Directors would do harm to the company if it was made public. I don't think, Sir, to any business man any argument is necessary to prove that both these amendments are dangerous, impracticable and unworkable, and, therefore, Sir, I oppose them both.

**Sir Cowasji Jehangir:** Mr. President, I must admit at the outset that I have not been able to understand the real motive and idea underlying these two amendments. Perhaps, Sir, that is due to the fact that it is Saturday afternoon when everybody is rather sleepy (*Several Honourable Members*: "No, no") or hopes or expects to get an afternoon siesta; but whatever may be the cause, I repeat, I am unable to understand the real meaning of these amendments. Sir, it may be that the real motive underlying these two amendments is due to some Honourable Members of this House being obsessed with the idea that the Directors will not represent the shareholders and that the Directors will be appointed, as was graphically explained by my friend, who is not here today, Mr. Pandya. It has been mentioned in this House more than once that the scheme of this Bank is so different from other banks or from other joint stock companies that it is,—I won't say, impossible,—but very very improbable that what Mr. Pandya complained of, when this Bill was introduced, will really take place. The shareholders will really elect men in whom they have confidence to serve on the Local Boards and the Local Boards will send to the Central Board men in whom they have confidence.

Now, Sir, anybody who has had experience of joint stock companies will tell you that the shareholders' powers are limited to a certain extent and that their most important function is to appoint Directors. Once they have appointed those Directors, they at least for one year trust those Directors to carry on the business of the Bank in the interests of the shareholders and if the majority of the shareholders at the end of the year have any complaints to make or feel that their interests have not been looked after by the Directors, they are removed and replaced by another set of Directors who will carry out their intentions and look after their interests better than was done in the past. My Honourable friend, the Doctor, says that the Governor General can remove them. I am not talking of removing the Directors by the Governor General. I am talking of the annual elections that must take place under this Act of a certain number of Directors. If my Honourable friend would

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have seen the Bill and the amendments made in it by the Select Committee, he would have noticed that at the end of the very first year two Directors will have to be elected. At the end of the first year, the shareholders will have an opportunity of expressing a definite opinion as to whether those two Directors have been worthy of their position in the Central Board and if they have not been, then there will be, at the end of the very first year, an opportunity of asserting their rights and displacing those two Directors and having two of their own choice on the Local Board.

**Mr. B. V. Jadhav:** That will be in one centre only?

**Sir Cowasji Jehangir:** Then automatically the next centre comes in and every year there will be elections in rotation.

**Diwan Bahadur A. Ramaswami Mudaliar:** May I point out to my Honourable friend that the shareholders will have nothing to do with it. When once they elect two or three Local Boards, five Directors for each Local Board, for the next five years nothing happens and the election directed by rotation is only a question for the Local Boards and has nothing to do with the shareholders. The shareholders elect, at the end of the first year, five Boards in these various areas, five members each. Then, for the next five years, there is no vacancy in the Local Boards.

**Dr. Ziauddin Ahmad:** May I also point out that no provision has been made for holding any annual General Meeting in which any general resolution can be passed.

**Sir Cowasji Jehangir:** My Honourable friend is right. If, in the first instance, those two Directors have not the confidence of the Local Board, they can be changed by two others in rotation and, after five years or whatever the period may be, the shareholders have an opportunity of replacing the whole of the Local Board.

**Mr. K. G. Neogy:** Double distilled control.

**Sir Cowasji Jehangir:** In many places there is double distilled control which is very good for the institution itself.

**Mr. K. G. Neogy:** Will any shareholder subscribe for any company whose articles of association reveal such a condition?

**Sir Cowasji Jehangir:** Many have and many will in the future. If my Honourable friend was better acquainted with joint stock companies.....

**Mr. K. G. Neogy:** I am not. I seek light.

**Sir Cowasji Jehangir:** ..... he would have realised that there had been a constant complaint of shareholders that they had not had enough control over Directors. It is a very common complaint and, notwithstanding that complaint having been made for years and years, still no Legislatures, which have Acts for joint stock companies, have thought it fit to change their Acts. It is a right of people in this world to complain

and to be dissatisfied. It is their privilege, but how far that dissatisfaction should be met by giving them powers is a very different matter. They have their opportunity at the annual General Meetings to express their opinions, and a responsible Board of Directors is always able to gauge the feeling of the shareholders and act accordingly. If the Directors continue to defy the majority of the shareholders, they come to grief. That has been the experience in most parts of the world, not merely in India.

**Mr. K. C. Neogy:** The Honourable Member assumes that the shareholders have got the right to express their opinions. Will the Honourable Member point out any particular clause in this Bill where that power is given to the shareholders?

**Sir Cowasji Jehangir:** I know my Honourable friend raised that point in his first speech. Well, I believe that those powers will be given under the rules.

**Mr. K. C. Neogy:** How can they be given? Will it be consistent with the Act?

**Sir Cowasji Jehangir:** Why not? I think the Honourable the Finance Member will explain that point.

**Mr. K. C. Neogy:** That is a technical point. His explanation would not do.

**Sir Cowasji Jehangir:** He will explain that technical point, but there is no doubt that there is no intention of depriving the shareholders of expressing opinions every year. There is no doubt about it. It may be that the shareholders in a Reserve Bank of this kind have not all the powers and privileges that the shareholders in an ordinary joint stock company may have. But by this Bill the shareholders will have greater opportunities of sending Directors to the Local Boards of their own choice than in an ordinary joint stock company. I am convinced of that. It is impossible to give shareholders a direct control over the management of any concern. It is unheard of. You cannot possibly give the shareholders administrative powers. The administrative powers are exercised by the Board.

**Mr. Gaya Prasad Singh:** The policy of the Bank.

**Sir Cowasji Jehangir:** They express opinion on policy by resolutions.

**Mr. Gaya Prasad Singh:** They can give directions.

**Sir Cowasji Jehangir:** The Directors are not bound to carry out the directions. In no company can the shareholders give actual instructions which the Directorate are bound to carry out. There will be chaos in any company. I should not care to be a Director of a company where the shareholders by a resolution can give directions to the Board to act in a certain way. Under these conditions, no Directors would be able to work. They will have to resign immediately.

**Mr. Gaya Prasad Singh:** Then it is a Directors Bank, not a Shareholders Bank.

**Sir Cowasji Jehangir:** But you have the remedy. If the shareholders come to the conclusion that if either the Local Board or the Board of Directors have acted unfairly or unwisely; their remedy is to remove them. That is the power they have. You cannot give them directions but you do much better—you send them away. That is the principle in all companies, and I do not see why in the Reserve Bank, of all banks, of all companies we should have other principles. As regards the wording of these amendments, I do not know whether Honourable Members meant them in this way. The wording of these amendments appears to me to give the shareholders executive powers.

**Mr. B. R. Puri** (West Punjab: Non-Muhammadan): Would the Honourable Member be pleased to explain this anomaly? He says that a shareholder should not be empowered or permitted to control directly the conduct of a Director, but he would permit him indirectly to coerce the Director at the general meeting by removing him. The two positions are inconsistent. How does the Honourable Member reconcile the two positions?

**Sir Cowasji Jehangir:** It is perfectly consistent. The shareholders cannot give directions to the Board, but, if they are dissatisfied, they can tell the Board to go away, and elect others who will carry out their intentions provided they have got a majority, and that is exactly the principle in all constitutional Governments. Even supposing the Benches opposite were responsible to this House, this House cannot give directions to the Government to do so and so. It can tell the Government: "If you do not do so and so, we will turn you out. We will have somebody else to do our work." The Government of the day can say: "We are unable to carry out your views. You go and get somebody else to do our work."

**Mr. B. R. Puri:** Do you make any distinction between policy and routine day to day work of an institution? Do you make any distinction?

**Sir Cowasji Jehangir:** Even in questions of policy, you cannot force a policy upon a Directorate if that Directorate is unwilling to carry it out. Your remedy is to remove that Directorate. That is your remedy, just as it is with a constitutional Government. You cannot with a constitutional Government force that Government to act in a way that you choose. All you can do with that Government is to turn it out, to remove it . . . .

**Mr. K. C. Neogy:** Remove after how many years?

**An Honourable Member:** Five years!

**Sir Cowasji Jehangir:** Every year you can pass a resolution (Laughter), and the Local Board, if they have any sense of responsibility, would see that their representatives at the centre took heed of such resolutions.

**Mr. K. C. Neogy:** Where is the power of passing resolutions in this Bill?

**Sir Cowasji Jehangir:** It is the inherent right of shareholders to pass resolutions. That is the real position, and, therefore, I would deprecate on the whole—I do not really know what this amendment is, or what is the real intention of my Honourable friend, but I would deprecate giving any powers to the shareholders in order that those shareholders may be enabled to give directions either to the Local Boards or to the Central Board.

**Dr. Ziauddin Ahmad:** On a point of order, Sir.. I have given notice of an amendment about the powers of the Local Boards. Will a decision on this amendment affect that amendment?

**Mr. President (The Honourable Sir Shanmukham Chetty):** The Honourable Member cannot anticipate what the ruling of the Chair will be on an amendment which is not before the House.

**The Honourable Sir George Schuster:** I am afraid that I regard these amendments as embodying an entirely impossible proposal. They raise a very important question which I am glad to have the opportunity to discuss with the House. But there is one point that I should like to make at the outset, and that is that when we come to amendments of this kind, discussion of the formal nature which alone is possible in the Assembly is very unsuitable. This is the sort of proposal which really ought to be threshed out in Select Committee where one can have an opportunity of meeting the points as they arise, and so on. It is very unfortunate that a fundamental proposal of this kind should come up at this late stage of the proceedings without the opportunity for careful examination in Select Committee.

**Dr. Ziauddin Ahmad:** Whose fault is it? Not ours.

**The Honourable Sir George Schuster:** I am not concerned with apportioning the blame; I am merely saying that it is very unfortunate.

**Sir Cowasji Jehangir:** Most unfortunate that you (Dr. Ziauddin Ahmad) were not on the Select Committee.

**The Honourable Sir George Schuster:** It is somewhat curious that those who have opposed a shareholders' idea should now be advocates of a shareholding system which I can only describe as a shareholding system gone mad; and it is curious that we on the other side should have to step in to redress the balance by pointing out the very real practical limitations that there are to any idea of detailed control of the operations of a bank of this kind by the shareholders. Really this proposal would entirely upset the whole balance of a very carefully prepared scheme. Various points have been made most effectively by others who have spoken before me,—the point, for example, that this completely upsets the whole idea of a system of representative government. I may have something to say about that again, but there is one point that I particularly want to ask Honourable Members opposite to consider which has not yet been mentioned, and that is this. We are dealing in India with an enormous country, a country where it is impossible—we recognise that in the Bill—where it is impossible to expect that you can get a representative meeting of shareholders together. The great difficulty, having regard to that condition, is to provide a method by which the main function of the shareholders, the election of Directors, can be fairly and evenly performed by the whole body of the shareholders. With that object in view, we have introduced this system of indirect election through the Local Boards, each Local Board representing an area which is of a comparatively manageable size. By that means we have hoped to provide in the Board of Directors an evenly balanced representative body so that each group of shareholders might be fairly represented on that central body. It, therefore, may be reasonably expected that any meeting of the Board of Directors will be a representative meeting and that the

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decisions of the Board of Directors will have taken into account all the various interests spread out over this enormous country of India. If now it is attempted to give direct executive powers to the body of shareholders, that will completely upset this evenly balanced scheme.

My Honourable friend, Mr. Vidya Sagar Pandya.—I am sorry he is not here today—has paraded before us pretty frequently a sort of nightmare vision that he has of the way in which shareholders' meetings are composed and the way in which the body of shareholders exercise their powers. I have ventured to take the line that his vision is exaggerated and incorrect, and that, so far as the election of Directors is concerned, the machinery which we have provided in this Bill will work quite differently to anything that he has pictured to us; that in fact the shareholders will take an interest in the election of the Local Boards and that they will be fairly well represented in each area when the time for election of the Local Boards comes on. But I would certainly be inclined to think that much of what Mr. Pandya has said is true when we come to consider a General Meeting of shareholders summoned at any time—as it would be if some of the proposals that are to come before us later were to be accepted—summoned at any time to take place in some particular spot in India. You might at such a meeting have a completely unrepresentative body and then a decision might be taken according to which the Directors under this amendment would be bound to act, representing the vote, almost a snatch vote, of a particular section of the shareholders. I think Honourable Members have only got to consider that position to realise that a proposal of this kind completely upsets the even balance that we are trying to provide in this scheme: and it would, if it were to be effective, make our scheme unworkable and turn it into something which we could not possibly accept.

Now, a good deal has been said about the limitation on the powers of the shareholders as provided in this Bill. We have been told that we have talked a lot about a Shareholders Bank and that, when one comes to look at the Bill, the shareholders have got practically no powers, and that, therefore it becomes almost a farce to talk about a Shareholders Bank. Now, I have always tried to point out to the House that what one has to consider in setting up a Central Bank of this kind is to provide an evenly balanced scheme—taking into account the public interest on the one side and the creation of an authority independent of Government on the other. Those are the two vital ideas. We have thought that by providing this electorate in the form of the body of the shareholders, we should be able to create a body of Directors which would constitute an authority independent of the Government, capable of standing up to the Government, capable of acting as a balance and as a check in a system where there will be many balances and checks as there must be in every constitution, capable possibly of providing a rallying point for Indian opinion when there is opposition to the Government of the day. But we do not seek to do more than that, and we ask in this Bill really no more from the shareholders than to perform the functions of an electorate. That is their essential purpose. I do not wish to misrepresent the case or exaggerate it in any way. That is the essential purpose, and apart from that we fully recognise that the direct powers of the shareholders are limited, and that was always intended to be the case. Apart from acting as an electorate, they have powers to elect the auditors, which is a very important point, and they have the power at a General Meeting to ventilate their grievances, when under section 52 (2), they have the report of the auditors put before them. That is their position and we think that that will answer the essential purpose of this

Bill. If you now try to give the shareholders any right to intervene in the executive management of the Bank, you will produce a complete chaos. Let us consider what the body of the shareholders . . . .

**Sir Cowasji Jehangir:** May I ask the Honourable Member whether, in the case of ordinary joint-stock companies, there is a general rule that the shareholders have executive powers of this sort?

**The Honourable Sir George Schuster:** I have never in the whole of my experience known of any company in which the shareholders have any executive powers. It would be impossible to carry on business on those lines.

**Mr. K. C. Neogy:** In that case they have themselves delegated those powers to the Directors.

**The Honourable Sir George Schuster:** Business is a matter which has to be transacted from day to day and, as my Honourable friend, Mr. Studd, pointed out, a great deal of confidential information has to come up for consideration when decisions are made which it would be quite impossible to put before the body of the shareholders. The shareholders are not in a position to give any directions as regards the general policy of the Bank,—and, in fact, I would go further than that and say that, if the general policy of the Bank is open to criticism, that is much more a matter for this Legislature to consider; it is not a matter for the general body of the shareholders to consider at all.

Now, the Honourable Members opposite are very anxious that this should be a democratic institution and we share their wishes to a great extent in that matter and we have gone a very long way to meet them; we have now reduced the voting qualification to Rs. 500. The body of the shareholders will, therefore, be an evenly distributed mass of people all over India, but they will be people who will know nothing about the details of working a Central Bank, and it will be impossible for them to give effective directions to the Directors as regards the business for which they are responsible. Moreover, there is another point. We are considering the setting up of a Reserve Bank which has a very special function to perform. Its duties, the kind of business which it has to do, the way in which it has got to do that business, all these things are specified and laid down with great precision and great detail in this Bill. This Bill itself constitutes the general direction to the Board as to the way in which they are to conduct their business: and to bring in this miscellaneous body of shareholders—as regards whom, at a General Meeting, I think it is extremely doubtful as to whether one will ever get a representative group—to bring in that body to give directions to the Central Board as to the way they are to conduct their business is completely to upset the balance of our scheme and to bring in a new feature which is quite inconsistent with the whole plan which we have been discussing for the last four months. Sir, I hope very much that this amendment will not be pressed. As I say, it would, in our opinion, create a completely impossible position and I do not believe that the Honourable Members who have moved it, if they had been sitting in Select Committee and we had had the chance of talking this out together, would ever have proceeded with a proposal of this kind.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That to clause 7 of the Bill the following proviso be added:

'Provided that the shareholders, in General Meeting assembled, may give directions for the conduct of business and administration of the Bank subject to the provisions of this Act and the Board shall be bound to act accordingly'."

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That to clause 7 of the Bill the following proviso be added:

'Provided that subject to the powers given to the Governor General in Council by this Act, the shareholders, in General Meeting assembled, may give directions for the conduct of the business and administration of the Bank and the Board shall be bound to act according to such instructions'."

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 7 stand part of the Bill."

The motion was adopted.

Clause 7 was added to the Bill.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 8 stand part of the Bill."

The House now comes to amendment No. 74 by Mr. S. C. Mitra.

**Mr. S. C. Mitra:** Sir, I suggested this amendment on the assumption that the scheme of a State Bank would be accepted. So, I do not like to move it.

**Mr. B. Das:** Sir, I beg to move:

"That in sub-clause (1) (a) of clause 8 of the Bill for the words 'two Deputy Governors' the words 'one Deputy Governor' be substituted."

Sir, I will cut short my argument by giving an extract from the minute of dissent that I appended to the report of the Joint Select Committee. I would like to draw the attention of the House to the fact that in 1927 the Joint Committee proposed that there should be one Deputy Governor, and although the 1928 Bill, which was not allowed to be moved on the floor of this House, had two Deputy Governors, the London Committee, on which some of the Members of this House sat, provided that there should be one or two Deputy Governors and in the first draft of the Bill that was introduced by the Honourable the Finance Member in September last, the same provision was made, but somehow the capitalist instinct of

some of the members of the Joint Select Committee got the better of it and it was provided that there should be two Deputy Governors. Let me now read out from the note of dissent (page 22):

"The Joint Committee Report of 1927 provided for one Governor and one Deputy Governor and specified in the body of the Bill that 'one of these two shall be an Indian'. At that time it was given out that the first Deputy Governor would be an Indian who would become full-fledged Governor after five years."

Sir, I may add here that it was well known at that time—I do not know if the Honourable the Finance Member has got a note left from his predecessor to that effect—that a young Indian gentleman would be appointed as the first Deputy Governor and it was freely mentioned in the Lobby and in private talks that that gentleman would become the Governor after five years. Had we had the Reserve Bank in 1927, today we would be having an Indian Governor of the Reserve Bank. To continue the note of dissent:

"We dissent from the change agreed to by our colleagues that there should be two Deputy Governors from the beginning. No reasons have been adduced that work will be too heavy for one Deputy Governor. In 1927 there was a talk of an Indian Assistant Deputy Governor. We are of opinion that there should be only one Deputy Governor for the present and that he should be an Indian sufficiently young to become Governor after five years. There should be no camouflage of appointment of a superannuated Indian as Deputy Governor, for there would then be no chance of that Indian becoming a Governor."

We further wish to record here the strong public feeling against any I. C. S. being appointed Governor or Deputy Governor of the Reserve Bank. The frenzied financial policy of civilian Finance Members should serve as a grave warning against their inclusion."

Sir, in 1927, there was no economic depression and the country was then in financial affluence and we were thinking that the credit and the control of the Reserve Bank could be managed by one Governor and one Deputy Governor. I fail to understand what has happened since then that in the year 1933, when there is grave financial disaster and the finances are not flowing to the Banks or to the Government, they should ask for two Deputy Governors. Those who have read the Bill in detail will find that much of the work that the Reserve Bank will do will be handed over to the Imperial Bank of India which also has got two Managing Governors and one Deputy Governor. It may be that the Imperial Bank is going to reduce one of the Managing Governors and will have only one Managing Governor and one Deputy Governor. I felt at the Joint Select Committee that we were going to have two Deputy Governors unless the policy of Government was to distrust the Indian Deputy Governor and not to permit him to become the Managing Governor of the Reserve Bank. I am still under that suspicion.

**The Honourable Sir George Schuster:** May I remind my Honourable friend that the alteration in the Bill making it obligatory to have two Deputy Governors was made in the Select Committee at the special request of the non-official members of that Select Committee?

**Mr. B. Das:** That is true. My Honourable friend, Sir Cowasji Jehangir, persuaded everybody to have two Deputy Governors and that is why I added my minute of dissent. The House and the country wish

[Mr. B. Das:]

to be assured that the Reserve Bank will have in the near future, say, five years hence, an Indian Managing Governor.

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) vacated the Chair which was then occupied by Mr. Deputy President (Mr. Abdul Matin Chaudhury).]

Suppose a person who is in his 65th year is somehow recruited by the Government of India,—say, he is living in retirement, and he is asked to be the Indian Deputy Governor—and another European is made the senior Deputy Governor. Therefore, when this Indian Deputy Governor becomes the senior Deputy Governor, he will be 70 years of age and, when his time comes to become the Governor at the age of 76, he will be in the other land. He will not be able to become the Governor in his 76th year. I do hope, the Honourable the Finance Member will satisfy the House as to what was the necessity of having two Deputy Governors. It may be that some of us agreed with him at the moment, but in the committees, as everybody knows, many people become accommodating. But, Sir, when I speak on behalf of the nation, I must voice the feeling of strong protest with regard to the appointment of two Deputy Governors, as thereby no Indian Deputy Governor will get a chance of becoming the Governor for at least 10 years. If there is too much work and if, as is said, the currency and the issue department should be managed by one of the Deputy Governors and the establishment should be looked after by another Deputy Governor, then our fear is that the establishment will be looked after by this poor Indian Deputy Governor and he will not be given the chance to understand the currency and credit policy of the Reserve Bank. Why not have an Assistant Deputy Governor as was talked of in 1927? You may call a rose by any name you like. Why should you have two Deputy Governors? Let there be one Deputy Governor and let there be another officer who will look after the different sections of the Reserve Bank. I hope, therefore, that the House will accept my amendment and thereby ensure the appointment of an Indian as the Governor of the Reserve Bank five years hence.

**Mr. Deputy President (Mr. Abdul Matin Chaudhury):** Amendment moved:

"That in sub-clause (1) (a) of clause 8 of the Bill for the words 'two Deputy Governors' the words 'one Deputy Governor' be substituted."

**Raja Bahadur G. Krishnamachariar:** As a matter of information, I would like to know what happens to my amendment No. 77 and to Mr. Thampan's amendment No. 76 which contain a similar proposal?

**Mr. Deputy President (Mr. Abdul Matin Chaudhury):** As Mr. Das has moved his amendment, the Chair does not think it is necessary for the Raja Bahadur or Mr. Thampan to move their amendments.

**Raja Bahadur G. Krishnamachariar:** So, we will support Mr. Das's amendment.

**Mr. Muhammad Yamin Khan (Agra Division Muhammadian Rural):** Sir, in the original Bill, provision was made only for one Deputy Governor and, in the London Committee, where it was agreed that there might be

one or two Deputy Governors, even there the Indian point of view was for two Deputy Governors. When this Bill came before the Select Committee, the non-official members wanted to have an Indian Deputy Governor, and so a provision was inserted for two Deputy Governors, one of whom shall be an Indian. At that time it was argued that it would be really difficult to find a suitable Indian to be appointed as Governor, because it requires technical knowledge and experience. For this purpose it was argued by the Indian members of the Select Committee—as far as I remember by an overwhelming majority of the Joint Select Committee—that we must have one Indian as the Deputy Governor and he should be trained from the beginning so that he may, later on, be prepared to take up the post of the Governor in the future.

**Raja Bahadur G. Krishnamachariar:** You do not find anything to that effect in the Bill.

**Mr. Muhammad Yamin Khan:** When we proposed for two Deputy Governors in the Joint Select Committee, we wanted an assurance from the Government not only in words, but also we wanted a specific provision to be made in the Bill to that effect. The Select Committee intended that one of the Deputy Governors should be an Indian and that was how it came about that, instead of one Deputy Governor, we have two. Here I must congratulate the Honourable the Finance Member for meeting the view of the non-official members in the Select Committee. He said that, even if we did not ask for one Indian Deputy Governor, he was going to give an assurance on behalf of Government that one of these two posts would go to an Indian. He said he would also give the same assurance on the floor of the House.

**The Honourable Sir George Schuster:** I have given it already.

**Mr. Muhammad Yamin Khan:** Yes. On account of the agreement we arrived at in the Select Committee, the Honourable the Finance Member has come up here and has given this assurance on the floor of the House that one of them is going to be an Indian. So this is part and parcel of the whole scheme and of the agreement that, by the addition of one more Deputy Governor, we had intended that the additional man should be an Indian. I do not see what is the grievance of my Honourable friend, Mr. Das, and I do not know why he wants to go back upon the agreement which we made in the Select Committee to which he was also a party. The assurance that has been given is that, out of the three posts, that is the Governor and the two Deputy Governors, one of the posts will go to an Indian. Does my Honourable friend want that that agreement should be broken off? The Government have fulfilled their part of the agreement by giving the assurance on the floor of the House and it is the duty of Honourable Members of this House to stand by their part of the agreement.

**Raja Bahadur G. Krishnamachariar:** Who authorised you to compromise? The Select Committee has absolutely no right under any law to go and compromise.

**Mr. Muhammad Yamin Khan:** My Honourable friend may be right that legally the Select Committee should not compromise. The Government

[**Mr. Muhammad Yamin Khan.**] came to this House and asked that certain representatives should be sent to the Select Committee and this House was pleased to send us to sit on the Joint Select Committee. If we, the representatives of this House, go and agree to a certain thing in the Select Committee, this House is morally bound to support us. This House sent us to negotiate with the Government on their behalf and they must give us some latitude when we have entered into an agreement with the Government for the benefit of the country. The Joint Select Committee have really achieved something for the advancement of the country.

**Raja Bahadur G. Krishnamachariar:** Is it the compromise that unless they agreed to two Deputy Governors, they would not get even one Indian at all?

**Sardar Sant Singh:** May I inform the Honourable Member that in fact there was no compromise in the Select Committee?

**Mr. Muhammad Yamin Khan:** My Honourable friend must have been living some where in Lyallpur when this question was being discussed in the Select Committee.

**Sardar Sant Singh:** My Honourable friend ought to know that he never attended more meetings than I did.

**Mr. Muhammad Yamin Khan:** The records will show that.

**The Honourable Sir George Schuster:** Might I perhaps point out what I think my Honourable friend has in mind, and what is certainly the case, is this—that I gave a certain assurance on a certain understanding. If that understanding is not honoured, then, of course, the assurance will have to be withdrawn. Nobody would suggest that this House is bound by any sort of compromise made in the Select Committee

**Mr. Muhammad Yamin Khan:** That is exactly the point. (Interruption.) I find several Honourable Members interrupting me.

**Mr. Deputy President (Mr. Abdul Matin Chaudhury):** In that case the Honourable Member need not give way.

**Mr. Muhammad Yamin Khan:** I gave too much latitude and I find that Honourable Members were not restricting themselves, but were making speeches without allowing me to proceed. The point is this there is no legal obligation on the part of this House to respect any kind of agreement entered into in the Select Committee. It was only an understanding in the Committee and, on that understanding, the Government also gave us the assurance. To that assurance there are two parties, the representatives of this House on the one hand and the Government on the other. The Government have honoured their assurance and it is left to this House to ratify the understanding on the part of the members of the Select Committee.

**Some Honourable Members:** No, no.

**Mr. Muhammad Yamin Khan:** Well, on that understanding the assurance has been given that one of the posts will go to an Indian. If we take away one post of Deputy Governor, we will be disturbing the assurance given by the Honourable the Finance Member. But I may point out that this House has got ample opportunities to say no, we do not want a European Governor or a European Deputy Governor. They may go on saying all sorts of things. There is nobody to stop them from saying so. But we have to see what is the practical thing which we have achieved by this assurance and whether, by this, it is an advance on the position which we had in the original Bill. If it is not an advance, this House has certainly a right to throw it out; but if it is an advance,—and it came out of the Select Committee with a great advantage for Indians,—it will not be doing proper justice to India and Indian aspirations to throw it out. It will not do any good and we will not achieve our object. What is the idea of sending a thing to Select Committee if the people do not stand by the Select Committee. After all, compromise is a matter of give and take, and this is a most beneficial amendment that has been made in the Select Committee. It is in the interest of the country and there is no question of dictation from Whitehall or wirepulling from any side, but it was done at the express desire of the representatives of both Houses. If the majority of the House does not want it, then certainly Government will withdraw their assurance and that will be harmful to the cause of India. It might create a certain amount of excitement, but that will do no good to the country. If the House thinks that this is not an advantage, they can throw it out; but I will remind the House that it will make the Finance Member free from the assurance which he has given. With these words, I oppose the amendment, and I hope the House will reject it.

**Raja Bahadur G. Krishnamachariar:** Sir, it is somewhat difficult for me to deal with this proposition in view of the numerous contradictory and impossible arguments that my Honourable friend, Mr. Yamin Khan,—I say so with all respect to him,—has addressed this House. His argument is just the reason why I submit that the claim made on behalf of the Select Committee that when they came to a certain conclusion it is up to this House to honour that conclusion is a fallacy and a position which it is absolutely impossible for this House to endorse. Sir, I happen to know something about the administration of Legislative Councils, though in another part of the country, and I always understood that, during the second reading of a Bill, the principle of the Bill is accepted by the Council, and, as that principle may or may not have been worked out to its fullest extent by the drafting made in the first instance, a small committee is appointed in order to go in detail into those provisions to see,—not a change of policy,—but that the principle that has been endorsed by the Council is fully, completely and thoroughly represented by the wording used. That and that alone is the proper function of a Select Committee and I respectfully submit that no committee, however well intentioned it may be, has any right, by being appointed as a Select Committee, to go beyond its duty which is to set right the drafting so that it may be in accord with the principle that the Legislative Council has endorsed. My Honourable friend, I am sorry to say, has put Government in a very false position by pleading for them. It is always well . . .

**Mr. Muhammad Yamin Khan:** I am sorry to interrupt my Honourable friend, but I never pleaded for Government and I will never plead for

[Mr. Muhammad Yamin Khan.]

**Government:** I only pleaded on behalf of the Committee and I agree that the business of the Select Committee was only to make verbal alterations; and I said that the Select Committee was intending to put a certain verbal addition in this which they only dropped, simply because an assurance was given. That was my intention and nothing more than that.

**Raja Bahadur G. Krishnamachariar:** Although my Honourable friend grew very angry when he was interrupted and said he was not going to yield, because the other people were making speeches when interrupting, I think he started making a speech himself. But that is by the way. I am extremely glad to be interrupted, and I would very much like to be interrupted, because the fallacies will then come out and I would be able to meet every contention and reckon with it before I sit down.

**The Honourable Sir George Schuster:** On that invitation, may I interrupt my Honourable friend (Laughter) and say that my Honourable friend, Mr. Yamin Khan, has certainly not put me in any false position?

**Raja Bahadur G. Krishnamachariar:** If my Honourable friend will just wait for a minute, I will point out how that is so, and I deliberately say that he did put the Government in a false position, a position which was never in their minds; and I will prove it immediately.

Sir, my friend Mr. Yamin Khan is, I believe, a very experienced lawyer and a very successful lawyer. He knows exactly how to defend a case without making you believe he is defending it; and, therefore, although he says he does not plead for Government, what does he say? He says, "If you do not agree, it is the Government that will withdraw". I suppose I can have my own account with Government without his help and I shall, first of all, stop him and have my account with Government. Now, what will you say to me? Because I am the authority to decide it and not the Select Committee. The position is stated to be that there was a compromise, but I am very glad to see that the word "compromise" has been withdrawn.

**The Honourable Sir Brojendra Mitter (Law Member):** It is an understanding.

**Raja Bahadur G. Krishnamachariar:** Now the Law Member gives his gloss of what has been stated to be a definite compromise. Of course the Law Member and myself, although I am very far distant from him, belong to the same profession, and if lawyers cannot give different views, as many as there are, they are not worth their salt. (Laughter.)

Now, what is the position? I said that my Honourable friend has put Government in a false position and I proceed to redeem my promise, although I am not sure if I will be successful. I will only make the attempt and, whether I am successful or not, it will be for the House to decide. What does my Honourable friend say? He said that the Finance Member said: "If you have one Governor and two Deputy Governors, I shall give you an Indian". That means to say that if we do not have two Deputy Governors, we will not have an Indian. Is that what the Government meant? I do not want to defend Government, but I am perfectly sure that Government had never had it in their minds, when

they said there will be a Governor and a Deputy Governor, whether he shall be an Indian or he shall be a European or whether he shall be of any nationality. I take it that all that they said and all that I would have said, if I were in their position, was, I want a Reserve Bank and I want a Governor and a Deputy Governor. Whom are you going to appoint? I shall see who the best man is. There is already a clause over which I have some little dispute with the members of the Select Committee and it is coming up later. But I ask Government: "Whom will you appoint as Governor and Deputy Governor?" and the Government say: "I shall try to find out the best qualified man and I shall appoint him". Now; I shall come to the Government and say: "As you have not said that you are going to appoint a European, I say here is an Indian,—and as you have one Governor and one Deputy Governor,—I do not mind where you put the Indian." I have an amendment to that effect and, therefore, I do not want to say much in detail now. But my friend has put Government in a false position, because he says that Government had already made up their minds that they are going to appoint two Europeans. Do you want to have an Indian in their place? All right, make a provision in the Bill for having two Deputy Governors and then we will give you one. As my Honourable friend, Mr. B. Das, said: "A super-annuated old gentleman who would like to have more time on his lounge than on a banker's chair"—which is always a very small one as he cannot afford to sit very comfortably on it, because he will fall asleep when business had to be transacted. Therefore, I submit and very respectfully submit that the pleading given on behalf of the Government—and I say it again and I will continue to say it again—by my Honourable friend has put the Government in a false position.

**Diwan Bahadur A. Ramaswami Mudaliar:** As usual!

**Reja Bahadur G. Krishnamachariar:** I now come to the amendment: 4 P. M. My Honourable friend, Mr. Das, has informed the House how, on a previous occasion, they wanted only one Deputy Governor: the London Committee said: "One Deputy Governor", or two Deputy Governors if appointed. They said that in a halting manner: what they said was: "One Deputy Governor: but if you want two Deputy Governors: I do not know the local conditions: you may appoint if you like." That is what the London Committee also said and I believe my Honourable friend, the Finance Member, in the Bill that he introduced into this Assembly provided only for one Deputy Governor; I am very glad that I have been told that this provision has been inserted at the request of the non-official members of the Select Committee, and that is another reason why I say, the decision of the Select Committee should not be sacrosanct. That is the reason why I say that the decision of the Select Committee, both as a matter of law and as a matter of practice, is at the disposal of this House, in order to be reviewed, in order to be rejected or in order to be approved, because these gentlemen say: "The Bill says we shall have only one Deputy Governor: the Government is quite satisfied that they can do the work with one Governor and one Deputy Governor." Remember that. In view of the clause that I am going to read from the report of the Select Committee, it is absolutely necessary to remember this point. So far as the Bill that the Government introduced is concerned, they were *prima facie* at least quite satisfied that they could go on with the work of the Reserve Bank with all its

[**Raja Bahadur G. Krishnamachariar.**]

volume of work with one Governor and one Deputy Governor. Now, my Honourable friends, the non-official members, induced the Honourable the Finance Member to appoint two persons, probably because they thought that, unless they agreed to two Deputy Governors, they would not have an Indian. I hope it is not so, and I do not want to believe that it is so, because it will be paying a poor compliment to their intelligence to say: "Unless I have so many persons, I shall not get any Indian as one of the chief executive officers of the Bank." In view of the fact, therefore, that Government themselves were quite satisfied that they could get on with one Deputy Governor—here is what the report of the Select Committee says:

"We consider that the responsibilities falling on the chief executive officers of the Bank will be such that it will, from the very outset, be necessary that there should be two Deputy Governors and we have amended this clause so as to make their appointment obligatory."

Now, compare it with the statement and the implication made by my Honourable friend, Mr. Yamin Khan: "If you do not agree to the appointment of two Deputy Governors, the Government and ourselves are quits. The assurance that the Honourable the Finance Member has given is withdrawn: in other words, you agree to the two Deputy Governors, not because there is work, not because the responsibility is so much that you want two Deputy . . . .

**Sir Cowasji Jehangir:** May I interrupt the Honourable Member for one minute? If my memory serves me right, I suggested in the Select Committee two Deputy Governors after the assurance was given that an Indian would be appointed to one of the higher posts in the Bank—if my memory serves me right: I may be wrong. But I think I suggested two—not the Government: the suggestion did not come from the Finance Member: it came from me.

**Raja Bahadur G. Krishnamachariar:** I did not say it came from the Honourable the Finance Member . . . .

**The Honourable Sir George Schuster:** I do not wish to interrupt my Honourable friend while he is speaking and, therefore, I hope, you, Sir, will allow me to state the position when my Honourable friend has finished.

**Raja Bahadur G. Krishnamachariar:** I do not resent any interruption at all: as I said, I shall feel extremely obliged, as far as I am concerned, if the Honourable the Finance Member says what exactly the position was, because I do not want to spin out my arguments on facts which later on are proved to be not what I imagine . . . .

**Sir Cowasji Jehangir:** That is why I interrupted.

**The Honourable Sir George Schuster:** I shall be very glad to tell the Honourable Member what the position is: the position is this: as far as the Government are concerned, as far as I am concerned, I have taken no initiative in this matter at all. The proposal came from the unofficial members of the Committee. They desired to have two things: first of all,

that it should not be left optional to appoint a second Deputy Governor, but that it should be obligatory on the Bank to have two Deputy Governors. Under the Bill, it was optional—one or two: they desired that change; and they desired secondly an assurance that in that case one at least of the three should be an Indian. Now, I must go perhaps a little more fully into what took place. I think my Honourable friends will bear me out in this that I put it to them—I said: "From an Indian point of view, I think you are making a mistake in asking for definite conditions of this kind: all that you can ask for is a minimum, and possibly a minimum may not in the future be satisfactory." I think I went so far as to say that if I myself was an Indian, I should not be satisfied with the condition that one out of the three should be an Indian, always having in view that this is a provision that is going to be permanently in the Statute. At the same time, I made it clear that in no case could Government agree to putting a provision of this kind into the Statute, because that would really amount to its being one of the so-called "discriminatory provisions": but I promised that I would do my best to get the Government to agree to give an assurance. That promise I fulfilled: Government did agree to give an assurance and an assurance has been given; but the assurance has been given on a certain understanding, on the basis of certain premises; and that assurance obviously does not hold good if the premises are changed. My Honourable friend has talked about people being put into false positions. If anybody has put me into a false position, it is my Honourable friend by moving his amendment, because having reached this understanding in the Select Committee, having agreed to propose in the Bill that there should be two Deputy Governors and having myself given that assurance, if my Honourable friend comes along and by moving his amendment forces me to withdraw that assurance, that does put me into a false position, because it makes Government appear as if they were against the idea of having an Indian among the chief executive officers. That is what I want to put to my Honourable friend. This is only a minimum provision. It does nobody any harm. Apart from this, on the merits of the case, I want to make this also clear—that I should never have agreed to an arrangement of this kind at all unless I had myself been convinced that on the merits of the case two Deputy Governors were certainly necessary. We have to consider that in this Bank there must be responsible officers certainly in Bombay and in Calcutta: we have to take into account the fact that the Governor will have to keep in close touch with the Government; he will not be able, as the Governor of the Bank of England can, to go every day after he has finished the work, and see the Chancellor of the Exchequer; but he should be free to go very frequently to Government headquarters and keep in close touch with the Government. On these grounds, on the merits, I myself am convinced that two Deputy Governors will be necessary.

**Raja Bahadur G. Krishnamachariar:** Sir, I am extremely obliged to the Honourable the Finance Member, but I am sorry to say that he thinks that I put him in a false position, and I feel that it is due to me that I did not put him in a false position. I do not want absolutely to disavow any blame that is rightly due to me, if I am really blameworthy, and that is why I put in my amendment. The position is this, Sir.

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) resumed the Chair.]

[Raja Bahadur G. Krishnamachariar.]

My Honourable friend says that upon a suggestion made at the Joint Select Committee that we want two Deputy Governors, he made this assurance.

**The Honourable Sir George Schuster:** I did not volunteer the assurance. The whole proposal came from the other side.

**Raja Bahadur G. Krishnamachariar:** Very well, Sir. I suppose the other side said that if there were going to be two, at least one should be an Indian. Whoever made the proposal, there is no doubt that this assurance was given in the Select Committee.

Now, Sir, I was trying to show that I did not place my Honourable friend in a false position. The whole fallacy is dependent upon the idea that what the Select Committee did we would be bound by if this House considers that it is to the interests of the country and of the people that the decision of the Select Committee is right. That is so, but if they do not consider that the interests of the country had been served by what the Select Committee agreed, I very respectfully submit both as a constitutional matter, as a legal matter and as a matter of legislative practice, that no decision come to by the Select Committee is binding upon this House, that it practically becomes the law without this House being given an opportunity to open its mouth. Consequently, when my friends on the non-official side asked for two Deputy Governors, it shows that apart from the fact that the Government was convinced of the necessity of two Deputy Governors, there was also this thing—both sides must have known that whatever decisions may be elsewhere, they were subject to revision by this House.

**Mr. President (The Honourable Sir Shanmukham Chetty):** Nobody can question that.

**Raja Bahadur G. Krishnamachariar:** Well, Sir, if that position cannot be questioned, then what follows? The point that I was developing, when you were not in the Chair, was this. The Honourable the Finance Member, with the courtesy that is always to be expected of him, kindly explained to me the position at my own instance so that I may not spin a long speech when the facts themselves did not justify it. In the course of his statement, after giving a full account of the position he explained, that it was I who put him in a false position, whereas my argument was that my friend, Mr. Yamin Khan, did the same thing. I am now trying to justify myself and prove that I did not place him in a false position, because the request by the non-official members or the understanding that was arrived at in the Select Committee was of course subject to revision by this House, and when this House does not agree to the position, then I respectfully submit that both are quits, there is no question of putting anybody in a false position, but my point in asserting that my friend, Mr. Yamin Khan, put the Government in a false position is that unless two Deputy Governors.

**Mr. Muhammad Yamin Khan:** I never said that. I said that the point was pressed by non-official members that there should be not "one or two", but that there should be "two" Deputy Governors, and the point was pressed after getting an assurance from the Government that if there

are going to be two Deputy Governors, then one at least of the three posts, that is, one Governor and two Deputy Governors' posts should be given to an Indian. This does not mean, as has been explained by the Honourable the Finance Member, that he himself was advocating this course. He said, if you stick to one, you should ask for the minimum, and that if he were an Indian he would not press for it, as he thought that there might be an occasion when all the three posts might be held by Indians.

**Raja Bahadur G. Krishnamachariar:** What he said is on record and the House has heard it. What I said is also on record. I shall only repeat with great respect what my Honourable friend said. He said: "If I were an Indian, I would not be satisfied with this minimum". Sir, I happen to be an Indian, and, therefore, I am not satisfied with this minimum. I leave it at that.

Now, I will only make one observation, and that is, if the Government were really convinced that the work would necessitate two Deputy Governors, why was it not definitely stated in the Bill, why was an alternative given—one or two,—and this point was not sufficiently considered. In the original Bill, there was mention of only one Deputy Governor. Even the London Committee said, there may be one or two; in the Bill that was introduced, there was also a halting hesitating demand for two, and not one. This clearly shows that whatever may be the eventful development in the work of the Reserve Bank, to begin with they thought that one Deputy Governor would quite answer the purpose, and if the work increased or if it was found that one man could not cope with the work as my friend, Mr. B. Das, suggested and as I also said when the Bill was taken into consideration, another man could be appointed, but we need not call him a Deputy Governor. That is all I have got to say for the present inasmuch as I have tabled an amendment to the effect that one of the persons, assuming that this amendment will get through, that one of the persons, either the Deputy Governor or the Governor, shall be an Indian, I take it that I shall have an opportunity to move it in its turn, and, therefore, I shall not trouble the House with any further observations as to the necessity of a Statutory declaration to that effect. I suppose I am right in my interpretation.

**Mr. K. P. Thampan:** Sir, I have also given notice of a similar amendment, and I wish to say a few words in support of it. If I take up the time of the House to speak in connection with this amendment, it is simply because I am anxious that in the interests of economy alone there should be only one Deputy Governor. The Honourable the Finance Member said that there should be two Deputy Governors, one in Bombay and the other in Calcutta. Apparently the idea is to place a Deputy Governor in both these places and the function of the Governor would then be merely to supervise these two offices. Sir, to my mind, two Deputy Governors are not necessary. If you have a Governor and one Deputy Governor, the Governor can look after the affairs of the office which has more work and the Deputy Governor can take charge of the office where there is less work. Sir, I find, in the constitution of the Bank of England, there is only one Governor and a Deputy Governor; you don't have there two Deputy Governors. It is only the Bank of France that has two Deputy Governors. I went through the constitutions of many Central Banks in Europe, and I find that, except in France, in no other

[Mr. K. P. Thampan.]

country there are two Deputy Governors. Do my friends, who advocate the appointment of two Deputy Governors, mean to suggest that the volume of work in the Reserve Bank of India will be more than the volume of work in the Bank of England, or, for that matter, the nature of the work done here will be more difficult than the work done in the Bank of England? I don't think so. ]

Then, Sir, a word must be said about the compromise that was arrived at in the Select Committee and the undertaking made by the Honourable the Finance Member. It is said that if two Deputy Governors were appointed, one would be an Indian. I would rather wish that there were no Indians appointed at all. Cannot the Governor and Deputy Governor both be Indians? Let both the Governor and the Deputy Governor be Englishmen, I would not mind it, because their salary bill will have to be footed by the tax-payer, and to that extent fresh taxation will have to be imposed on the country. The Europeans have always been appealing to us to trust them--now we will trust them. I do not care a fig for the undertakings that are given in this House by the Honourable Members. Solemn pledges made by the Sovereigns and the British Cabinets have been treated as scraps of paper. In the Proclamation of Queen Victoria, it was distinctly stated that there would be no racial discrimination in the matter of superior appointments under the State. I indulged in a little bit of arithmetical calculation and I found that, during the last 76 years of British administration in this country after that Proclamation, there have been 150 vacancies of Governorships in this country, and, with the exception of Lord Sinha, no Indian has so far been appointed to be a Governor of a Province. Mere solemn pledges made not only by the Secretaries of State and Viceroys but made by the Sovereign himself have been treated as scraps of paper and it is too much to expect us to have faith in these undertakings. The Honourable Sir George Schuster said that this alteration was made at the instance of non-officials, and Sir Cowasji said that it was done at his instance. I am very glad to hear that. That means that Government are not very keen on it and that they are prepared to accept any decision by this House. I ask Sir George Schuster whether he will ask his party to remain neutral if there is a division and allow this amendment to be voted upon by the non-official Members only. If he does not do that, it necessarily follows that he talks with his tongue in his cheek. ]

**Mr. C. S. Ranga Iyer:** Sir, I must admit at the very outset that it is a very controversial matter from a national point . . . . (Some Honourable Members: "Speak up please.") I was saying that it was very controversial even from a national point of view, and this is how the two positions strike me. In the first place, if we are to have two Deputy Governors, for I do presume that in the transitional stage of, say, five years, the Governor will be an experienced banking expert from England—if we are to have two Deputy Governors in that case, and I hope both of them will be Indians, there will be opportunity to train two Indians, one of whom at any rate may prove a success,—I hope both of them will prove a success,—to take the place, if necessity arises and popular feeling dictates, of the Governor. Therefore, I do not know whether it should be said, at least one of whom should be an Indian. I want both of them to be Indians. As for the apprehension

of those who are against two Deputy Governors, they have come to the conclusion that the other one will also be an Englishman, blocking for a long time to come an Indian taking the place of the Governor. I want the Government to make this position clear, because this statement of the Government will be examined from time to time by those who come after us here and by the Legislature. I personally would vote for two Deputy Governors—if the motion is pressed—in the hope that both of them will be Indians, for I do not conceal my hope that I want the Reserve Bank of India to be completely national and to be managed by Indians themselves and should be under Indian control even as the Bank of England is managed by Englishmen and under English control. I am willing to take the help of Englishmen in the transitional stage. That is my position. Therefore, I want, not "at least one" of the Deputy Governors should be an Indian, but at least both of whom would be Indians. I am not bound by the compromise arrived at by members in the Committee, nor am I very enthusiastic, or for the matter of that, inspired by the statement of the Finance Member that it was in deference to the non-official opinion that he yielded or his Government yielded in the matter. Whether the non-officials started with the idea that there should be at least one Indian or whether both of them should be Indians, will, I hope, be made by the non-officials concerned, but, speaking for the bulk of opinion in this country, I want that this Reserve Bank should be a training ground for two Indians so that one of them may be more qualified than the other to replace the Englishman who will be the Governor of the Bank, after a due transitional period. |

**Dr. Ziauddin Ahmad:** I do not want to make any speech. I have just to ask one question. The Finance Member has given us to understand that it was on account of the pressure from the non-official members that this provision was put in. May I ask him whether he would leave the question to be decided by the non-official votes of this House? If he is not willing to do that, and if he still insists upon the officials also voting on this question, then we have no other alternative but to draw the inference that that non-official pressure was inspired pressure, and that it was not really non-official opinion.

**Sardar Sant Singh:** I had no intention to intervene in this debate on this particular amendment, but certain incidents, in the course of the speeches of some Honourable Members, have prompted me to say something in the matter. I may point out at the very outset that there was no compromise in the Joint Select Committee to this effect that, because two Deputy Governors are to be appointed, therefore one of them shall be an Indian. My own personal view is that, as this Bank is going to be established for the economic interests of India, it should be Indian in outlook, and, as I put it in my minute of dissent, it should be as Indian as the Ganges. It is no argument that because Englishmen are at this time in power, therefore we are bound to provide the Governorship to an Englishman. As a matter of fact, we shall be only exercising our inherent right, our birth right, if we were to provide in the Bill, that all the three executive posts shall be occupied by Indians, but one of them may be occupied by an Englishman. (*An Honourable Member: "Why?"*) In order to show that we are not discriminating. Discrimination in India lies just the other way. The whole complaint against the administration in India has been that Indians are discriminated against. There has

[Sardar Sant Singh.]

never been, to the best of my knowledge, any complaint from Englishmen that there has ever been any discrimination against them. As my Honourable friend, Mr. Thampan, has so well pointed out, since the Proclamation of 1858 of the late Queen Victoria of honoured memory, the higher posts have always been practically reserved for Englishmen. No Indian, except once, could attain to the distinction of being a Governor. (*An Honourable Member:* "Even in the army.") Yes, even in the army. There are certain offices under the Government of India in which no Indian is allowed to enter. Therefore, I find it very difficult to appreciate the argument when the Honourable Sir George Schuster says that he does not want any discriminatory provision to be included in the Bill because of its possible reactions in the Joint Parliamentary Committee in London. As a matter of fact, what he means to convey to the Members of this House is this: "Be good boys, play up according to the commands of the Great Mughal sitting in Whitehall." It is as yet known only to gods if India is going to get real power under the proposed White Paper scheme and when that scheme is likely to be introduced, but meanwhile India expects from every one of us to assert our self-respect in this House and refuse to be dictated to by Whitehall. Let us make it unmistakably clear to the Secretary of State that India refuses to take his dictation lying down. The other alternative to this would be neither consistent with our sense of responsibility nor would be in the best interests of India. It was very painful to me to point out in my note of dissent that in the Select Committee even the Honourable Members representing the Government of India were not allowed to have a free hand or to give a free opinion. Their hands seemed to be tied from above.

However, I will most emphatically assert that there will be no discrimination at all against Englishmen if we provide in the Bill that Governors and two Deputy Governors shall be Indians. What we are providing for is that there should be no discrimination against Indians and for that we are amply justified in securing as many safeguards as we can get in this Bill. The amendment moved by my friend, Mr. B. Das, is not only quite a reasonable one, but is a necessary one. We want that the Deputy Governor should be an Indian, so that at least he should step into the place of the Governor after five years and control the currency policy of India through this Reserve Bank.

**Mr. M. Maswood Ahmad:** In this question I want to say only a few words. I could not understand from where the Leader of the United India Party, or disunited India party or whatever it might be called, got it that if two Deputy Governors were not appointed, there was no chance for an Indian.

**Mr. Muhammad Yamin Khan:** Who said that? Probably Mr. Maswood Ahmad is saying that.

**Mr. M. Maswood Ahmad:** That is what we heard him say and the Raja Bahadur also made a long speech on that, and I am very glad that my Honourable friend, Mr. Yamin Khan, is ready to correct his speech. Sir, we all want that all these three posts, should go to Indians. All the English people are there in the Bank of England and such is the case in other countries. Why should not these posts go to Indians in India? We want that this Reserve Bank should be governed by Indians and that all

the capital should be Indian only. My Honourable friend, the Sardar Sahib, used the word "Mughal" to mean the Secretary of State in his speech. In this connection I will draw his attention and appeal to all the Members here, who have used this word on several occasions, not to use this word in future to mean the Secretary of State. There is no resemblance between the Mughals and the Secretary of State. The Mughals gave all the big posts like the *Sath Hazari* and so on to the inhabitants of this country.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member means it is insulting the Mughals.

**Mr. M. Maswood Ahmad:** It is insulting to the Mughals who gave all these big posts to their countrymen in this country, while the Secretary of State wants all such posts for his countrymen and he wants to control the Reserve Bank of India. I feel it very much and this is the feeling of my colleagues, and I would ask my Honourable friends not to use this word any more.

Now, if there are two Deputy Governors, they will get fat salaries and it will be a great burden on the Reserve Bank. There are so many Government Departments which are topheavy, and with two Deputy Governors in the Reserve Bank, the administration will become topheavy. We want that there should be only one Deputy Governor and that Deputy Governor should be an Indian, and I hope that my Honourable friend, Sir George Schuster, will stick to what he has promised that at least one will be an Indian, even if there is only one Deputy Governor. The feeling of this House should be respected and the Governor and the Deputy Governor should be both Indians.

**The Honourable Sir George Schuster:** I should like to start by giving my Honourable friend who has just spoken a definite assurance that I at least will not refer to the Secretary of State as the Great Mughal. (Laughter.) I think this has been rather an unfortunate discussion. Possibly it may have been due to what Sir Cowasji Jelangir referred to as a Saturday afternoon atmosphere. I want to ask the House to consider what really are the main questions involved. We are trying, and I am sure we shall all agree about this, to set up a Bank which is going to work well and particularly at the start. Connected with this motion there are three main questions which I think any one, who is considering how to give the Bank a good start, ought to put to himself. First of all, there is the question how many Deputy Governors are really required; and that, after all, is the only question which ought to be discussed in connection with this particular amendment. The second question is, how are you going to get the best men for the chief posts in the Bank. And I would put a third question as a subsidiary question—how are you going to satisfy Indian opinion in the sense of creating confidence in the Bank. Now, Sir, it is only in connection with the last question that I think it is legitimate to consider some of the issues that have been raised in this debate. After all, our object is to get a good Reserve Bank and it is only the first question, as I have already said, which is really relevant to the amendment before us. I have already, in the course of an earlier interruption, made it clear to the House that the Government view is that two Deputy Governors will really be required. There has been no change of view as suggested by my Honourable friend, the Raja Bahadur. The Bill always provided for the appointment of a second Deputy Governor. True, it was made optional, but we were asking for the power to do it. We ourselves felt that that power would be used.

[Sir George Schuster.]

and, therefore, there is no inconsistency between our present line and the line taken in the original Bill. But if there had been a change, there would have been a very good reason for having made a change. When the original Bill was drafted, it was drafted on the basis that the Bank would have one main office at Bombay. That has now been changed. We contemplate having more than one main office. We have not laid down exactly how many there will be, for that is left to the Board; but it is quite certain that there will be at least two principal offices, namely, at Calcutta and at Bombay. That in itself would be quite sufficient ground, even if we had only provided for one Deputy Governor in the original Bill, to alter our position and now provide for two. Sir, I have already explained to the House why I myself think that two Deputy Governors will be necessary, so I need not repeat that. I turn now to the next question as to how you are going to get the best man.

Now, I think one of the difficulties in dealing with this matter is that here we are introducing a Bill which will be turned into a Statute which it is hoped will have a long duration. Provisions which may be necessary at the beginning of the Bank's life may become entirely inappropriate after it has had five or ten years' existence. That is why I myself in speaking in the Select Committee on this matter, ventured to suggest that to lay down in the Statute any sort of provision for Indians with regard to the chief executive posts was not a very wise thing to do. A minimum may come to be regarded as a maximum, conditions will change, and what is suitable as a minimum may prove entirely unsuitable as a minimum in ten or fifteen years' time. Now, if we are to try and get the best men—I hope Honourable Members will face realities in this matter—they must acknowledge that at present there is not a very large choice of men available in India who would be capable of holding these highest posts in the Reserve Bank. It is not merely a question of whether men of the requisite capacity exist, for I would remind Honourable Members that there are two points which have got to be considered in this matter. The first is, is there a qualified Indian available? Secondly, if he is available, will he accept the position? There are Indians of whom I could say at once that they are suitable for one of these three posts today, but I doubt whether any of those whom I have in mind would accept the posts, and that is a point which has to be taken into consideration. And now, Sir, I come to the third point—how you are going to satisfy Indian opinion in the sense of creating confidence in the Bank. Well, I quite admit that, in order to satisfy Indian opinion and to create confidence, it is necessary to satisfy the country that the Bank is being run in the interest of India, and that there may be prejudices, and that, in view of those prejudices, it is necessary to have Indians associated with the management at the top. But that does not enable us to get over the difficulty that possibly at the present moment there may not be a very large number of Indians available for these posts. Now, if these facts are borne in mind, I do put it to the House that there is no use in imagining all sorts of hypothetical cases of what the Government would do, on the strength of the assurance I have already given. I was prepared to give the assurance that at least one out of the three posts should be filled by an Indian. We felt it quite safe to take that risk. But if you reduce the number of the posts, then the position undoubtedly becomes changed and certainly the matter would have to be reconsidered. Now, I ventured to put it to my Honourable friend, the Raja Bahadur, that by raising this issue he was putting the Government in a very false position. It is not

fair to put us in the position of having to retire from the line that we took up. I assure Honourable Members that when any of those questions come up—questions of filling important posts with Indians,—the question which we ask ourselves is not how to avoid putting an Indian into that post, but how to find an Indian who is qualified for filling it? We always look at the matter in that way and, appreciating as I do the importance of the issue raised in my third question, Honourable Members can rest assured that Government always will look at it in that way. My Honourable friend, Mr. B. Das, has imagined to himself that what we have in mind is something like this: "We have committed ourselves to one of the three posts being filled by an Indian. Now, then, let us see how we can fulfil this assurance with the least chance of benefiting Indian aspirations in this matter. What will we do? We will appoint as Governor a man of forty or forty-five, who will hold that appointment for five years. Secondly, we will put in as the senior Deputy Governor another Englishman again of about forty or forty-five who will hold his post for five years. He will then become the Governor when the first man goes. Thirdly, we will put in as the junior Deputy Governor an Indian, a man of about sixty, so that, when the ten years are up, he will be seventy years old and, therefore, quite incapable of promotion to the post of Governor. Then we start the whole process all over again and put in another man at the end of his career in the post of Deputy Governor". Sir, having seen the illicits of my Honourable friend's imagination, I decided that I would offer him the post of senior assistant to my Honourable friend, Dr. Ziauddin Ahmad, in the hypothetical Finance Department which I propose to create. (Laughter.) That is a purely hypothetical proposition and I would put it to the House that no Honourable Member does his own interests or the interests of India any good by imagining a procedure of that kind. On this simple issue which is now before the House, I have no hesitation in recommending the House to reject this amendment. The Bank will need two Deputy Governors. This amendment would remove even the discretion which was provided in the former Bill and we should be committed by the Bill to limiting the Bank to one Deputy Governor. The entire object of doing that, the reason why this amendment is moved, is not in order to provide a proper organisation for the Bank, but in order to provide an opportunity for some of the amendments which are going to be moved later in the House. Sir, I do put it to the House that this is a matter which should not be considered on that sort of basis.

**Mr. President (The Honourable Sir Shanmukham Chetty):** The question is:

"That in sub-clause (1) (e) of clause 8 of the Bill, for the words 'two Deputy Governors' the words 'one Deputy Governor' be substituted."

The motion was negatived.

#### STATEMENT OF BUSINESS.

**The Honourable Sir Brojendra Mitter (Leader of the House):** With your permission, Sir, I desire to make a statement as to the probable course of Government business in the week beginning Monday the 11th. You, Sir, have directed that the House shall sit for the transaction of Government business on the 11th, 12th, 13th, 14th, 15th and 16th. On Monday, the

[Sir Brojendra Mitter.]

11th, the business will be the resumption of the consideration of the Reserve Bank Bill. On Tuesday, the 12th, the consideration of this measure will be interrupted by bringing forward the motions to take into consideration and to pass the Tariff Act Amendment Bill which was reported by Select Committee on Friday, the 1st December. The reason for this interruption is that, in order to prevent further loss of revenue, it is desirable that this Bill should be passed without any avoidable delay. On the conclusion of the business in connection with this Bill, the consideration of the Reserve Bank Bill will be resumed and the remaining items on the agenda will be the motions for taking into consideration and passing the Bill to amend the Imperial Bank Act.

### THE RESERVE BANK OF INDIA BILL.

**Mr. President** (The Honourable Sir Shanmukham Chetty): On Monday, after finishing clause 8, the Chair would go back to clause 4. The Chair would like first to finish the remaining two amendments and then put the original question on clause 4. So Honourable Members must make up their minds about those amendments.

**Mr. B. Das:** May I point out, Sir, that there is also one other amendment that I moved, while the Deputy President was in the Chair, on the Shareholders Bank.

**Mr. President** (The Honourable Sir Shanmukham Chetty): That is the other amendment to which the Chair referred. There is one amendment moved by Mr. Thampan and there is another amendment moved by Mr. Das.

**Sir Cowasji Jehangir:** The amendment moved by Mr. Das is a consequential amendment to clause 14 (2) of the Bill.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair has considered that point. That was suggested during the course of the debate, but the difficulty is that if the House does not take a decision on that amendment, the House is up against the same difficulty when it comes to clause 9.

**Sir Cowasji Jehangir:** That is also consequential.

**Mr. President** (The Honourable Sir Shanmukham Chetty): It is all the same whether the House treats the amendment to clause 4 as consequential, or after taking the decision on clauses 9 and 14 the House comes back and considers this as consequential. It is all the same. So, if the House really takes its decision on clause 9 or 14, then, during the third reading, Government will take necessary action to make the consequential amendment. What the Chair suggests, therefore, is that the Honourable Member, Mr. B. Das, should withdraw his amendment on clause 4. Then the question will come in a direct form on clause 14. If under clause 14, the House decides that a shareholder, who has got one share, will have one vote, it comes back to clause 4 and makes the consequential amendment.

The Assembly then adjourned till 11.30 A.M. of the Clock on Monday, the 11th December, 1933.

